Merchandising sundries: pp. 15-19

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National
Home Center News ®

Vol. 7, No. 21 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • October 12, 1981
$7 per year $2 per copy

Savings due from new structure

Southern Pacific revises rates

By Wyatt Kash, *NHCN lumber editor*

SAN FRANCISCO—The Southern Pacific Railroad, in a bold 90-day experiment, has instituted a radically different freight rate structure that promises to save many California and Arizona home centers an average of $500 per carload on forest product shipments from Oregon.

The new rate structure, which went into effect Sept. 27, represents a dramatic departure from traditional rail rates by assessing a straight charge per car, rather than a graduated charge based on the weight of the car's contents.

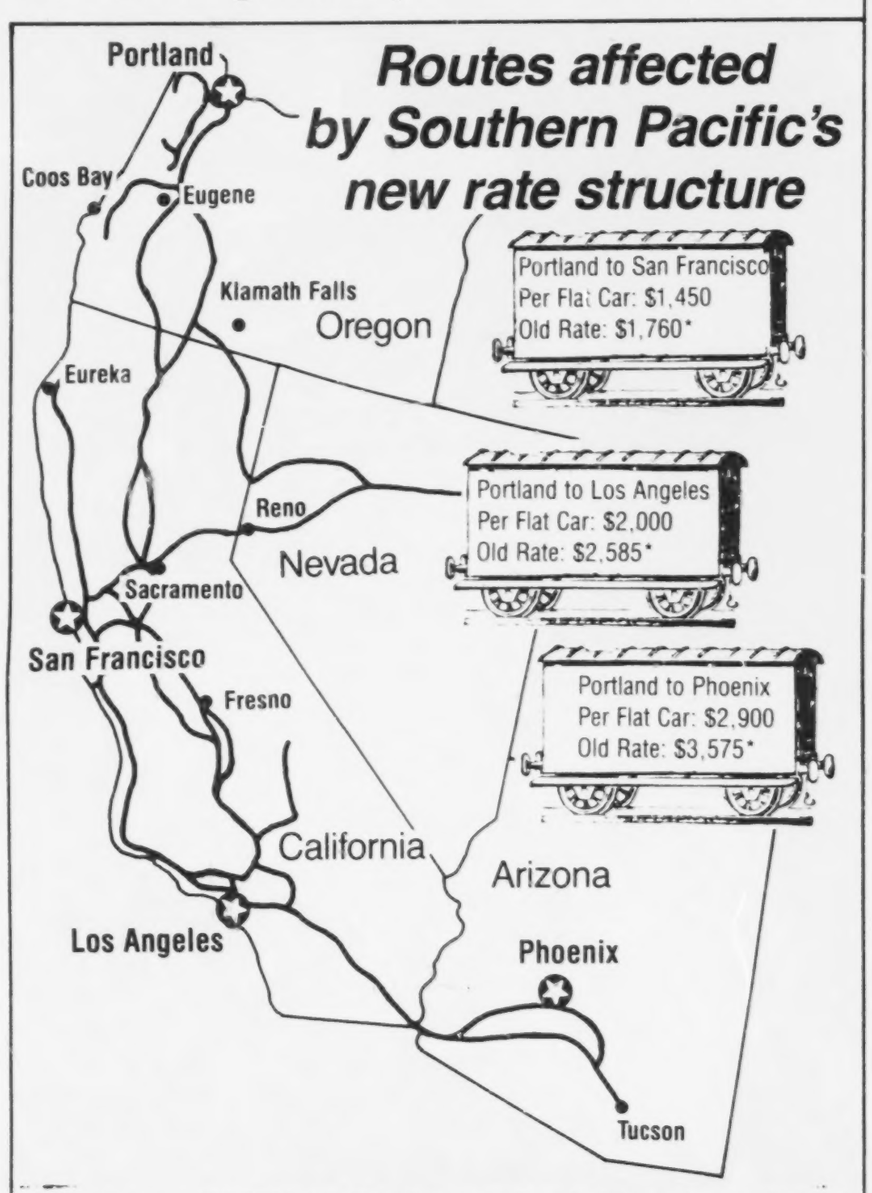
The rate structure is limited to shipments on Southern Pacific lines only, and applies to loads from any point in Oregon to virtually all points in California serviced by the railroad. A proposal to extend the per-car rate structure to Southern Pacific points as far east as Phoenix was expected to be approved at presstime.

While the Southern Pacific will be testing the per-car rate system for 90 days, the savings potential for home centers and other customers is expected to be significant, particularly on longer hauls.

Under the old rate system, for example, on a 55,000-bd.-ft. flat car of green Douglas fir shipped from Portland to Los Angeles, a customer typically paid $2,585 per carload, based on an open-end incentive rate of $1.86 per 100 lb.

Under the new temporary system, Southern Pacific will haul a fully loaded flat car for $2,000 regardless of the weight. Boxcars will ship at a

(Continued on page 42)



* Cost per car of 55,000 bd. ft. Douglas green fir, calculated using most recent open-end incentive rates, Phoenix rate subject to approval.

Source: Southern Pacific Transportation, NHCN map

Wickes slashes personnel at five regional offices

By Jayne D. Greenwald
NHCN associate editor

SAGINAW, Mich.—Under the new leadership of executive vice president John Drum, Wickes Lumber has just laid off some 20% of its staff, including major cutbacks of one- to two-thirds of the middle management personnel in its five area offices.

"There has been a general reduction in personnel throughout the division," stated Wickes Cos. president, David J. Primuth. "They are appropriate to the level of sales in this economy," he added, noting the cutbacks included the usual fall lay-offs.

Along with these changes, Richard L. Barker, who ran Wickes Lumber as general manager for approximately one year, has been relocated to London to become managing director of a new international business group. Drum, executive vice president and group officer, replaces Barker, heading Wickes Lumber and the Oregon-based Wickes Wood Products group.

According to inside sources, all the merchandising and marketing functions placed in the chain's five area offices two years ago have been returned to Saginaw.

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NEWSBREAKS

WICKES' SUPER HOME CENTER TEST. Builders Emporium, Wickes Lumber, Wickes Furniture and Gambles have been pulled together under one Gambles Home Center roof in Dickinson, N.D., in a one-stop shopping center test. The super store is aimed at rural markets and is the first of its kind for Wickes Cos., San Diego. It's the first time a BE unit has been moved out of California.

HOMESTEAD SUPPLY SOLD TO CANADIANS. George Robinson, formerly president of Homestead Supply, Yucca Valley, Calif., sold his 84% share in the seven-unit, $12-million-a-year chain to Scott's Supply, a newly formed subsidiary of Scott Building Supplies Ltd., which operates eight retail outlets in British Columbia. The purchase price was not disclosed.

GAF SELLS FLOORING DIVISION. Tarkett AB, a Swedish company involved in flooring and wall covering, has just bought the flooring division of GAF for $56.6 million.

Dealers sell energy items using money-saving pitch

NATIONAL REPORT—Since DIY energy-saving messages of the past aren't drawing customers like they used to, home center retailers are basing this fall's energy campaigns on a much safer bet—saving money.

"If it weren't for the money, people would not be concerned with energy conservation," stated Natalie Baker, divisional merchandise manager for nine-unit Chase-Pitkin.

The Rochester chain, in fact, just installed its first full-line energy departments.

"Fuel costs are so high now, the economy is just right for the energy department concept," Baker said, noting in-store signs and all advertisements in the category match the present chainwide theme of "everyday low prices."

At Bonanza Home Centers, San Jose, Calif., ads for the fall energy season are also sharply tuned to the dollar-saving slant. The season's kick-off promo was headlined: "Look to Bonanza to save you money, saving money."

At Canada's largest DIY chain, Beaver Lumber, Toronto, ads for the stove season are beaming in on that Government's recently passed energy rebates of up to $800, or half the total cost of approved wood or coal-burning units.

Retailer Steve Feinstein, president of Eclipse Industries, Bridgeton, Mo., however, voiced the concern of some dealers who are afraid consumers have grown apathetic to energy-saving messages of any sort.

"Because of the petroleum glut, people have forgotten about the high cost of energy. They're paying for it, but they're not thinking about it," said Feinstein.

"We're devoting a lot of our own energy to the sale of energy products, but we nave a strong feeling the consumer is not sharing that enthusiasm," he added.

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BE tops list of TV advertisers

NATIONAL REPORT—Home centers substantially increased their commitment to television advertising during the first six months of 1981, with the top 10 spenders accounting for $4,296,600, a 47% increase over the $2,927,500 spent during the same period last year.

Several firms registered dramatic increases in TV advertising spending. Fourth-ranked Moore's Building Supply, Roanoke, Va., went from $1,400 spent during the first six months of last year to $416,900 in the same period of 1981.

Pay 'N Pak, Kent, Wash., which used no television during the first six months of 1980, spent $292,000 this year, making it No. 7 in TV expenditures, ahead of Plywood Minnesota, which increased its commitment to the medium by 323%, spending $275,000 compared with $64,900 last year.

Los Angeles was the nation's hottest market for home center television advertising during the first half of 1981, with the top two spenders aiming their messages there.

The No. 1 advertiser, Builders Emporium, Irvine, Calif., boosted its spending on TV spots to $877,000, 360% more than the $190,700 allocated during the same period last year.

Ole's, Pasadena, in second place, invested $632,800 on TV commercials, slightly down from the $693,900 of the first six months in 1980.

The sixth ranking firm, National Lumber, also serves southern California. The Santa Ana-based chain spent $369,900 on its TV advertising, up 22% from a year earlier.

The figures, covering Janu-

(Continued on page 42)

Top 10 TV ad spenders

Company	Market	Jan.-to-June 1980	Jan.-to-June 1981	% Change
1. Builders Emporium (Wickes)	Los Angeles San Diego	$190,700	$877,000	+ 360
2. Ole's Home Centers	Los Angeles	693,900	632,800	− 9
3. Lowe's	Multimarket	779,600	547,600	− 30
4. Moore's Building Supply	Multimarket	1,400	416,900	+ 2968
5. Channel Home Centers (Grace)	Multimarket	577,000	400,200	− 31
6. National Lumber Co.	Los Angeles	302,900	369,900	+ 22
7. Pay 'N Pak Stores	Multimarket	—	292,000	—
8. Plywood Minnesota	Multimarket	64,900	275,000	+ 323
9. Sutherland Lumber	Multimarket	149,000	254,700	+ 71
10. Menard Cashway	Multimarket	168,100	230,500	+ 37

Source: Television Bureau of Advertising

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Money-saving pitch sells energy

(Continued from page 1)

Feinstein, who launched Eclipse-owned, nine-unit B & B Home Supply Center's first fall energy promotion on Aug. 15 with a truckload insulation sale reported "disappointing results." However, he hopes consumers will prove his suspicions false once the cold weather blows in.

In contrast, Sunbelt merchandise manager Jerry Hancock with Phoenix's O'Malley said, "Energy is definitely one of the bright spots in the home center industry today."

While Hancock gears up for the big energy season in the spring when the sun season starts to intensify, he reported energy sales for summer 1981 at the $80 million company comprised some 15% of the chain's total retail sales. This marked at least a 25% growth spurt over last year, he indicated.

Ceiling fans are the hottest energy-movers at O'Malley, he said. In 1980, the chain sold $600,000 worth of fans at retail, while this year fan sales hit $1.5 million. "The category is just booming," Hancock said.

Again, promotional appeal is to consumers' pocketbooks, not their energy-consciences.

"We don't talk about saving energy," he explained. "We talk about saving dollars."

In the Phoenix market, electric costs have "doubled in the past three years, and they'll double again in the next three years," Hancock projected. "We're selling devices that save homeowners every month."

Independent Somerville Lumber co-owner Harold Cohen also predicted a "very big" energy year for 1981. Here too, the stress is on dollar-savings and efficiency.

"Energy items will be pointing more credibly to the consumer than ever before because shoppers are becoming wiser and wiser," said Cohen. "R-values have to be more clearly marked and salespeople trained more to know how many dollars a customer will save with a certain product."

In mid-September the $20 million Boston market operator opened the season with a full-page ad in the *Sunday Boston Globe*. It was headed "energy-saving spectacular." While results were not as strong as anticipated because of an unseasonable 90° weekend, Cohen reported hefty early season sales of insulation, roof sheathing, pipe insulation, stoves and fireplaces.

Cohen is convinced selling energy products requires convincing DIYers they are saving dollars. "People are getting wise to gimmicks," he said. In stoves, for instance, simple decorative air-tights no longer sell.

Somerville took on three catalytic models for the fall, with considerably more depth than for noncatalytics, according to buyer Ken Dempsey, who is convinced these units' 90% efficiency rating will sell a product.

With catalytic price points ranging from $400 to $500, Dempsey reported already selling quite a few stoves early in the season. Most sales, he noted, were to consumers who already have experience with wood stoves, and who are "graduating to catalytics because they know they can get much more efficiency."

While the Canadian market is not ready for catalytics, according to merchants at Beaver Lumber, sources there project a 15% to 20% increase in the stove category in 1981 thanks chiefly to new Government incentives.

The program is called COSP, Canadian Oil Substitute Program. Consumers buying UL Canada or Canadian Standard Assn.-approved heating systems that use replaceable energy sources receive hefty Government refunds.

New strategy

The 258-unit DIY company is slugging information about the program in its ads and in-store signing. In addition, since the program includes installation costs, Beaver introduced subcontracted installation services this fall.

"We are really, really pushing installation," stated a company official, noting chimney, piping and installation comprise 40% to 60% of any stove project.

Wickes personnel cuts

(Continued from page 1)

In addition, store-level staffs, depending on market conditions and sales, have been sharply cut.

In fact, sources from the North Central area office in Indianapolis, where the chain operates 89 centers, reported mass lay-offs of approximately 325 employees in mid-September.

Struck again in 1981 by the stagnant builder business, profits for the Wickes Lumber division are down considerably.

This poor performance has added to the woes of parent Wickes Cos., which suffered a $5 million net income loss in the first half of fiscal 1982, despite a 13% increase in sales.

Wickes Lumber accounts for about 25% of the corporation's business, which experienced a $14 million year-to-year increase in interest expenses. This, coupled with the continuing housing slump, has forced the division to "put new procedures into place to further reduce administrative expenses," chairman and chief operating officer E. L. McNeeley reported.

In 1980, contractor sales were off 24% at Wickes Lumber and income was off close to 50% (*NHCN*, Dec. 15, 1980).

In addition, sales for the sprawling 280-unit national chain were down from $920 million in 1979 to $890 million. *NHCN* estimates that despite profit losses, 1981 sales will be about even with last year's.

"No one who was looking at the division's profitability was totally surprised with the lay-offs," said a recently released middle manager.

John V. Drum, Wickes Cos. executive vice president and group officer.

"We knew these were steps that would have to be taken."

One industry observer noted Wickes reorganizes its staffing structure every 12 to 18 months.

"Wickes moves people around the way the Yankees change players," he commented.

The dismantling of the five area offices has left one regional manager, an administrative manager, a credit manager and several assistants in each of the five area offices, according to a former employee.

The system, however, which was implemented about two years ago and put fully on stream for a year, included some 20 middle managers in each area.

Two-step

(Continued from page 2)

northern Indiana. He is optimistic about when dealers can expect to see added profitability as a result of the Toro return to two-step distribution.

"I think they'll see it by next spring," he said.

Toro director of sales for outdoor products, Gary Giltner noted that industrywide, "It's going to be a year when everyone is going to be getting their inventory in line."

While he did not predict dealers would be experiencing higher profits by early spring, he said, "I don't think it's going to be a number of years."

Toro's decision, which essentially restricts distribution of its power equipment to companies that will provide after-sale service, aroused the ire of Homer Taylor, vice president of Farwell, Ozmun, Kirk & Co., distributors located in South St. Paul, Minn.

Taylor complained about being able to distribute only the cordless or electric string trimmers, not the gas models, which are high-service.

"We think Toro, in all their brilliance, made an error," Taylor said.

TV ad spender list

(Continued from page 1)

ary through June 1981, were based on a survey on the nation's top 75 markets by the Television Bureau of Advertising.

The clear increase in TV advertising by home centers is part of the general boom in retail use of the medium. In 1980, for example, department, variety and discount stores spent a total of $236,000,000 on TV, according to TvB.

Moore's used substantial TV to celebrate its 25th anniversary this year. Builder's Emporium, which had switched much of its broadcasting dollars to radio last year, returned to TV.

"Our experience shows that TV has a more immediate and more lasting effect on store traffic and sales than radio for our southern California marketplace," said Bill Teachout, Emporium general manager.

Savings loophole

(Continued from page 2)

in short-term investments, rather than long-term mortgages, is the broad legal definition of what qualifies as a housing loan.

Under the law, lenders can use all savers funds to buy everything from mortgage-backed securities to short-term notes issued by Government-sanctioned housing agencies, including a new one-year certificate due out soon by the Federal National Mortgage Assn. "Fannie Mae," as the association is often called, packages Government-insured or guaranteed mortgages for resale to investors.

Lenders can also use the funds to issue loans for home construction, rehabilitation or remodeling, and for single-family and mobile home purchases, as well as for certain needs among farm operators.

However, with savings and loan institutions desperately trying to stem the outflow of savings into other types of investments—a trend the All Savers Certificates were designed to reverse—lenders are under financial pressure to get the highest return possible to preserve their assets.

Consequently, unless home buyers and builders pressure their local lending institutions to make All Savers funds available in the form of loans, it is unlikely that the public will actually get their hands on much of the $200 billion that the U.S. League of Savings Associations estimates will flow into the All Savers Certificates.

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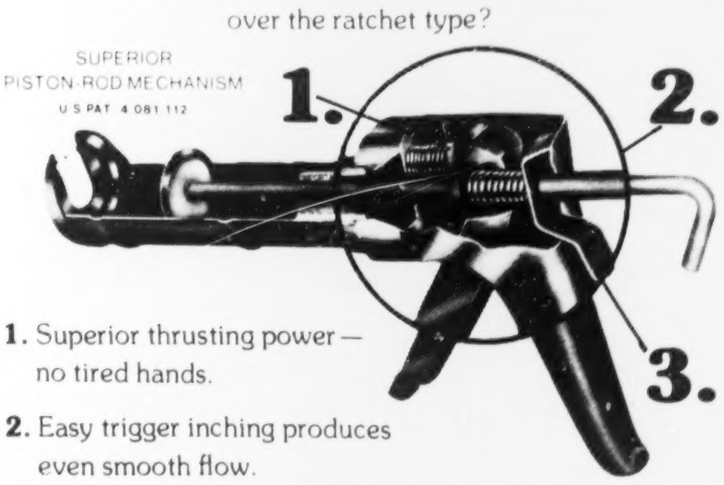

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Southern Pacific revises rates

(Continued from page 1)

rate of $1,600 per car.

Similarly, a San Francisco Bay area customer will now only pay $1,450 per flat car, ($1,-100 per boxcar) compared to a typical rate before of $1,760; a customer in Fresno will now pay $1,725 per flat car and $1,-350 per boxcar.

The biggest savings will come on shipments to Phoenix, where buyers like Sharron Gaylor, of O'Malley Lumber, will pay $2,900 per flat car, compared to a typical rate of $3,575.

"Most of my recent freight bills have been for $3,500 to $3,-800," says Gaylor. In some cases, the new rate means an average savings of nearly $1,-000 a car to O'Malley, which operates 18 retail stores, plus several wholesale outlets.

Gaylor, and other buyers, like Gary Palmer, of six-unit Lumberjack Stores, Sacramento, Calif., cautioned that overall, the savings were not substantial enough to warrant switching sources of supply to mills with access to the Southern Pacific.

"It will probably become very confusing as to what the mills will do," warned Gaylor. Mills without Southern Pacific connections may cut prices to compete, she said, while those with connections may try to increase prices to build margins, knowing they would still be able to offer a competitive delivered price.

For Palmer, the lower rates may mean shipping more of his 2x4, 2x6, 4x4 and 4x6 dimension green fir by rail than before, instead of by truck, but he emphasized, "it won't make us build inventory."

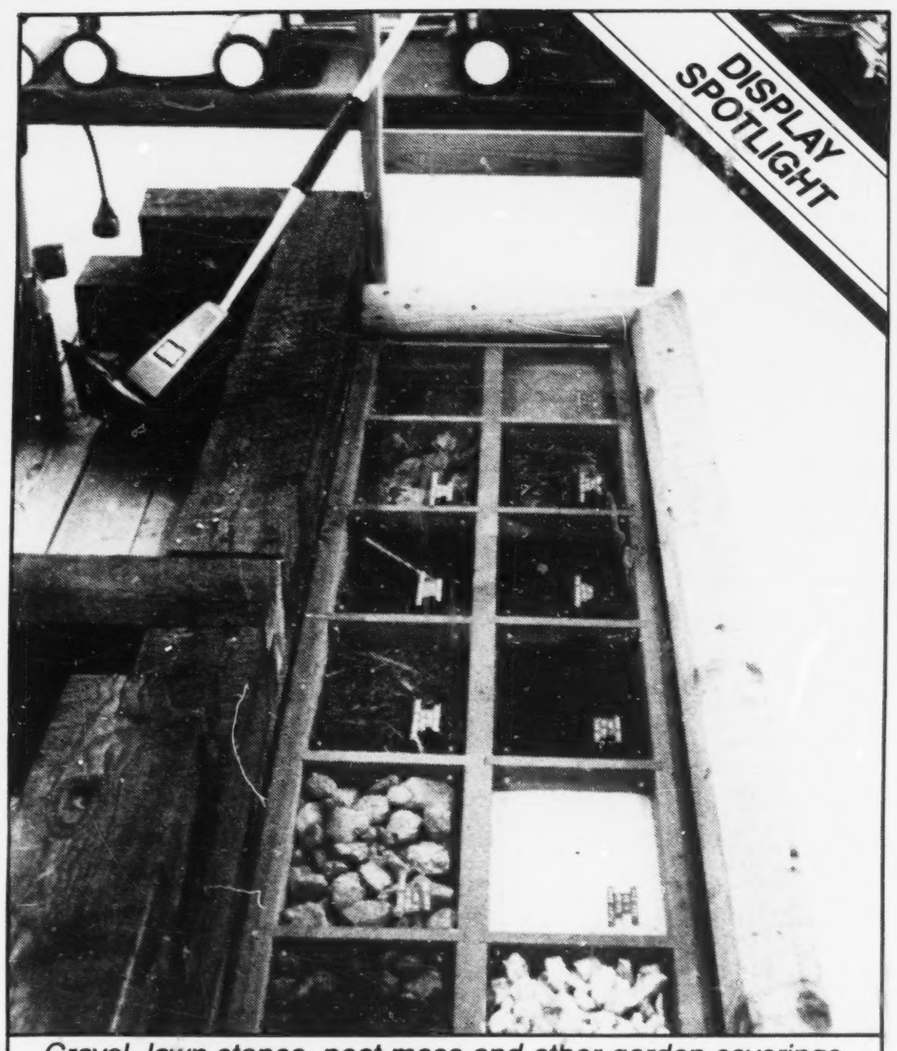
Lumber buyers throughout the region expressed excitement about the railroad's move, not only for its savings, but for its simplicity. A single per-car charge would eliminate the need for weighing rail cars, and drastically reduce the "paper chase" involved with processing freight bills.

The Southern Pacific's action, however, is clearly a signal of the desperate plight of forest products industry, resulting from the worst housing slump since World War II, and its impact on the nation's railroads.

The rate restructuring is but the latest move in a recent wave of freight rate rollbacks initiated by the Union Pacific, and the Burlington Northern, as well as the Southern Pacific railroads, to help stimulate forest product freight business. (See Lumber Report, p. 36.)

"This is my 'Saturday Night Special,'" says George Scholibo, vice president of sales for the Southern Pacific's Pacific Northwest region, and the man who developed the temporary new incentive.

Citing the "serious" survival problem facing many Oregon mills, and the existence of "several thousand" cars "in storage" as a result of low demand, Scholibo is counting on the new rate system to help the railroad as well as the forest products industry.



Gravel, lawn stones, peat moss and other garden coverings are shown under glass in a compartment wood display constructed in Busy Beaver's Niles, Ohio, unit. NHCN photo

Distributors, dealers like Toro's return to two-step

NATIONAL REPORT—Toro distributors and dealers have generally reacted favorably to the recent decision by the outdoor power equipment company to return to two-step distribution for all its high-service products. The full effect of the Toro action, however, may not be clear for some time.

"We've just finished with the first of two dealer meetings," said Peter McDonough, president of Summit Power Equipment Distributors, Fort Wayne, Ind. "Reaction has been extremely positive. It shows that dealers have been waiting to get back on the ball team."

However, he added that it was "awfully early to predict sales increases."

It may take three years for the picture to brighten because of excess inventory, according to Toro dealer Ludwig Euler, of L&M Lawnmower, Massapequa, N.Y.

"I'm sitting down here now with 45 Toro lawn mowers. This time we're usually reordering," he said. "Come the winter, I can not pay my employees with mowers.

"It will take several years before all the equipment out there gets eaten up. By 1983 there will be a marked increase in dealers carrying the product," Euler said. "In three years it will become lucrative."

"I don't agree," said Bob O'Brien, president of Century Toro, Toledo, Ohio. "It's true as far as snow equipment. As far as walk behind and rider mowers, there's not that much supply."

Strong promotion programs will be sufficient to move what inventory remains, according to O'Brien, whose company distributes Toro throughout most of Ohio, south Michigan and

(Continued on page 42)

Toro outdoor power equipment may be merchandised in fewer home centers next season because of the company's decision to return to two-step distribution. NHCN photo

Home production hits new low

Northwest mills face shutdowns

REGIONAL REPORT—In lumber mill towns throughout the Northwest, the news last month that single-family home production had hit a record low was but a chilly promise that mill slowdowns may well mean mill shutdowns this fall.

As of the middle of last month, when the latest housing figures were released, 113 of 756 western mills had stilled their blades. Another 271 mills in the 12-state region were operating under curtailed schedules.

Altogether, some 49,200 woodworkers (48%) of 102,000 mill employees in the West were either out of work, or working short or alternate shifts, according to the latest figures from the Western Wood Products Assn. Forest products giant Louisiana-Pacific alone has laid off 2,000 employees in the past few months.

Caught in a squeeze

Perhaps typical of the housing industry's blight is the town of Potlatch, Idaho. There, tucked in the Palouse River valley, the mill that became the namesake for the now-mighty Potlatch Corp., having survived even the Great Depression, fell silent at summer's end, closed "indefinitely," leaving 183 workers—about half the town's workforce—without jobs.

"Looking to the remainder of 1981," lamented WWPA executive vice president, H. A. Roberts, "there is nothing on the horizon that would indicate that our situation is going to improve."

While the forest products industry has grappled with housing recessions before, none have been so protracted, nor so deep, as the current recession, now entering its 35th month. What concerns most industry analysts now, however, is the belief that the sustained levels of 16% to 19% interest rates that have crippled the housing industry, may not abate for an-

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Loophole in savings plan may divert housing funds

WASHINGTON—The All Savers Certificate, hailed only two months ago as a lifeboat of relief for the ailing housing industry, now appears to be riddled with leaks.

Loopholes in the law that authorized the new 12-month, tax-exempt savings certificates have given banks and thrift institutions a way to circumvent a key requirement that 75% of the funds raised with the certificates be used for housing and agricultural loans.

While the law is still expected to help the beleaguered savings and loan industry, housing analysts now admit their original projections (*NHCN*, Sept. 14) for a surge in home starts, as a result of increased availability of mortgage money, were overoptimistic.

"The major problem is that the law expires in one year," conceded Michael Sumichrast, chief economist for the National Assn. of Home Builders, referring to the Dec. 31, 1982 expiration of the certificates.

With the current high yields on short term investments, lenders have little incentive to make lower yielding, long-term mortgage loans, particularly with funds that will only be available for 15 months.

Congress could renew the certificates, but few lenders expect that to occur.

What gives the banks and thrift institutions the flexibility to put All Savers funds to work

(Continued on page 42)

Starts fall 10.7% from July pace

WASHINGTON—The release of August housing figures sounded alarms throughout the home building industry last month as single-family home starts plunged to a record low, and declining rates for building permits indicated the industry's plight was worsening.

"The situation is desperate," declared Herman J. Smith, president of National Assn. of Home Builders. "Interest rates must come down and come down soon."

The problem is, according to Mark Reidy, executive vice president of the Mortgage Bankers Assn. of America, that housing rates are going lower before any recovery can be expected.

According to Commerce Department figures, a 34.2% monthly decline in the seasonally adjusted annual rate of new home starts in the Northeast, to 102,000 units, along with a 5.4% decline in the South, to 469,000 units, contributed to a 10.7% decline nationally in the rate of new home starts, from 1,049,000 units in July to 937,000.

The August rate was less than May 1980's revised rate of 938,000 units, making August the worst month in the current 35-month-long housing recession and the third worst month on record. The only time housing starts have been lower was in February 1975, when the rate dipped to 904,000 units, and in October 1966, when housing starts hit an all-time low.

Meanwhile, the construction of only 55,700 new single-family homes begun in August—20.4% fewer than in July, and 39.5% fewer than in August 1980—plunged the annual rate for August to a scant 591,000 units, a decline of 16.4% from July, and the lowest level since the Commerce Department be-

(Continued on page 4)

August housing activity

Data for actual new home starts and permits;
(Bold numbers in parentheses are seasonally adjusted annual rates)

	STARTS			PERMITS		
	August Starts in 1,000's	% Change from July	% Change from August '80	August Permits in 1,000's	% Change from July	% Change from August '80
Northeast	10.7 **(102)**	−35.0 **(−34.0)**	−23.0 **(−22.0)**	9.5 **(101)**	−13.0 **(−11.0)**	−15.0 **(−17.0)**
North Central	14.6 **(154)**	−17.0 **(−11.0)**	−30.0 **(−29.0)**	9.6 **(103)**	−17.0 **(−12.0)**	−53.0 **(−53.0)**
South	42.2 **(469)**	− 5.0 **(− 5.0)**	−33.0 **(−32.0)**	37.3 **(445)**	− 8.0 **(− 3.0)**	−30.0 **(−29.0)**
West	18.1 **(212)**	−17.0 **(− 6.0)**	−45.0 **(−43.0)**	18.6 **(214)**	−13.0 **(− 4.0)**	−45.0 **(−45.0)**
Total Housing	85.7 **(937)**	−15.0 **(−11.0)**	−34.0 **(−34.0)**	75.0 **(863)**	−12.0 **(− 6.0)**	−37.0 **(−36.0)**
Single Family	55.7 **(591)**	−20.0 **(−16.0)**	−40.0 **(−39.0)**	44.3 **(491)**	−14.0 **(− 7.0)**	−41.0 **(−42.0)**

Source: Department of Commerce; NHCN chart.

The rate of single-family home starts in August fell to its lowest level since the Commerce Department began keeping records in 1959. Declines in building permits for the fourth straight month indicate the housing slump is worsening.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 7, No. 21 October 12, 1981

Anawalt Lumber opens unit geared toward retail sales

NORTH HOLLYWOOD, Calif.—Anawalt Lumber, traditionally a contractor- and lumber yard-oriented company, has opened a new home center geared to retail sales.

The 27,000-sq.-ft. unit is the seventh Anawalt in the Los Angeles area. A company official added, however, that the seven units are operated by relatives under three separate corporations and that each company does its own buying.

The newest store is one of three units operated north of Los Angeles and headquartered in the San Fernando Valley community of Pacoima. Hal Anawalt is president of the company.

Anawalt was founded in 1921 and has been lumber-oriented throughout its history. The new store, which celebrated its grand opening in mid-September, reflects a lumber orientation in that nearly half of the store is comprised of an extensive assortment of lumber and building materials.

The rest of the home center, which is totally indoors, is comprised of hardware, electrical, plumbing, paint and other home center basics.

There is no automotives department, and housewares has been restricted to a limited assortment of dish drains and cleaning products.

While company officials declined to discuss specifics, one store executive said the home center was definitely targeted more at the consumer than other Anawalts. At the same time, he added that the store remains oriented toward lumber and hardware and is avoiding departments such as lawn and indoor furniture and automotives.

The new store's lumber and building materials area incorporates concrete floors and reflective ceilings above suspended fluorescent lighting. This lends a warehouse look to the area and visually separates it from the rest of the store, which uses off-white tile floors and black-painted ceilings.

The store's graphics and signage emphasize the use of wood strips, very much like Builders Emporium.

The new Anawalt also incorporates wooden mannequins which greet the customers at the entrance to the store.

The most novel mannequin, however, is one dressed in jeans and a checkered shirt. The mannequin hangs by its feet from the ceiling. A sign pinned to the shirt of the upside-down figure reads: "I was a shoplifter."

Starts fall

(Continued from page 2)

gan keeping records in 1959.

The sustained level of high mortgage interest rates, housing analysts maintain, continues to undermine any chances for even a modest recovery in the home building industry until next year.

Only 44,300 permits for new single-family homes were approved in August, dropping the annual rate to 491,000 units—7% below July's rate, and 41.5% below the rate of August 1980.

While representatives from the NAHB, the National Assn. of Realtors, the National Forest Products Assn., and other affiliated trade groups have organized a coalition against high interest rates, it was clear from Federal Reserve Board chairman, Paul A. Volcker, that there would be little relief from high interest rates in the near future.

"If the Federal Reserve were to try to lower interest rates by expanding the money supply too aggressively," wrote Volcker in a recent letter to National Forest Products Assn. president, Mickey Whiting, "I am convinced the resultant increase in inflationary expectations would lead to even higher interest rates. The only solution I see in the short run is further action to reduce the Federal deficit."

Arthur Krausman (r.), and Frank Henry (second from left), Ace Hardware's chairman and vp-merchandising, respectively, welcome Ted Traskos (l.), the chairman of the 36-unit ACO chain, Farmington Hills, Mich., to Ace's annual Fall Buying Show in Detroit. The unidentified woman is an employee of ACO. NHCN photo

Crowds, enthusiasm mark Ace Hardware's Fall Show

DETROIT—Big crowds and visible dealer enthusiasm pervaded this year's Ace Hardware Fall Buying Show, held at the Convention and Exposition Center here last month.

Twelve hundred dealers, and a total of more than 8,000 people, attended the three-day affair, up slightly from last year's attendance at the fall show in Denver.

While actual sales generated at the exhibitors' booths on the show floor were unavailable at presstime, *NHCN* observed that a good portion of the manufacturers were seeing strong buying activity and attention from Ace member-dealers walking the show's 16 aisles.

On the first morning of the show, dealers were welcomed by Ace chairman Arthur Krausman and president Steven Walton, each of whom gave a brief outline of the co-op's operational and financial state.

In addition, new products and marketing strategies were introduced, including Ace's new private label program for its faucets.

According to Ace's plumbing buyer Len Bottom, private label will continue to be employed on "high volume, high profile" products, though he conceded that "private label just isn't suitable for most of the goods we distribute. You have to be selective, and put your name on products with a proven track record."

A casual look throughout the show saw Ace's name on lawn mowers, light bulbs, paint, duct tape and several other items being exhibited by manufacturers.

"We want to give our dealers as much identification with the co-op's name as possible," said Bottom.

According to chairman Krausman, sales for the 4,000-member Ace, located in Oak Brook, Ill., were up "around 14%" over the same period last year. "We'd love to return to the days when our sales would grow annually by 20%, but it just hasn't happened for the past few years."

Krausman indicated he was satisfied with the company's financial and economic situation, as was Carl Bicking, vp-sales, who was excited about the show's turnout.

Renewed efforts

"It shows that our dealers are still interested in looking for new products and aggressively pursuing business," he said.

Bicking was also enthusiastic about the Nov. 8 opening of Ace's expanded distribution center in Tampa, Fla., which he said would augment Ace's continued drive into the Eastern States.

Bicking said future expansion plans include a 277,000-sq.-ft. warehouse and distribution center to open in Baltimore next year, as well as expansion of the co-op's Atlanta facility and constructing new centers in New England and the Pacific Northwest.

Jacobs resigns at Moore-Handley

PELHAM, Ala.—Bruce H. Jacobs, president of Moore Handley, parent of the 50-unit, $110 million Homecrafters chain, has resigned his post to pursue other interests in the home center industry.

Jacobs, 54, had headed the Union Camp subsidiary, which also has wholesale hardware, industrial supply and machine tool businesses, for nearly two years.

Jacobs said he is investigating two possibilities to enter the home center industry on his own. No details were given.

Replacing Jacobs is Everette Kelley, formerly Moore Handley's executive vice president, finance.

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FINANCIAL NEWS

Rickel sales increase 19% in 2nd qtr.

SOUTH PLAINFIELD, N.J.—Rickel Home Centers, a subsidiary of Supermarkets General, Woodbridge, N.J., reported a "dramatic" earnings improvement on a sales increase of 19.4% in their second quarter ended Aug. 1 as compared to prior year figures.

The strong sales, resulting in second-quarter volume of $56,152,000, were in part attributed to a "successful promotion thrust" as well as favorable weather conditions. Same store sales were up 11.4%.

For the first six months of the fiscal year, the chain's earnings were ahead of first-half levels in 1980.

Supermarkets General sales for the second quarter were $741.2 million as compared to $641.4 million in the comparable period last year. Net earnings were $7.6 million compared with $5.3 million. Company officials said its LIFO inventory change reduced earnings for the quarter.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Previous Sales*	% Change	Current Earnings*	Previous Earnings*	% Change
Dart Drug	7/31-2nd qtr.	$ 70,966	$ 65,571	8	$ 824	$ 812	1
Forest City	7/31-2nd qtr.	87,470	80,915	8	4,242	3,821	11
Lowe's	8/29-4 wks.	67,700	73,700	– 8	—	—	—
Payless Cashways	8/29-3rd qtr.	137,082	107,828	27	4,760	2,945	62
Peavey	7/31-4th qtr. 7/31-Year	193,996 820,884	173,459 734,788	12 12	5,742 23,418	5,949 22,624	– 3 4

*$ in thousands

1st-half sales up 28%

Revelstoke suffers $869,000 loss

CALGARY, Alberta—High interest rates and competitive pressures on gross margins were pointed to as reasons why first-half earnings continued to sag in the retail division of Revelstoke Companies LTD here.

The firm, which also maintains a lumber and concrete division, saw a 28.6% increase in overall sales from $85,043,000 in the first six months of 1980 to $109,045,000 for the same period this year. Second-quarter sales were also up 31.4% to $67,355,000.

The retail division sales also kept pace, with a first-half increase of 28.2%, or $82,682,000 compared to $64,506,000 for the same period last year. For the second quarter ended June 30, retail sales rose 28.35% to $50,013,000.

Revelstoke does not break out its divisional earnings, but the company's net income continued to slide. For the first six months of 1981, Revelstoke suffered a loss of $869,000 which follows a first-half loss last year of $1,245,000.

Company president Steele Curry explained in a shareholders report that "record high mortgage rates have also drastically reduced residential construction which normally contributes a significant portion" to retail sales.

He added that until interest rates dropped, and the uncertainty over Canada's National Energy Program is resolved, Revelstoke's sales and earnings picture was unlikely to improve much.

The Company's Directors approved a semiannual common share dividend of 17¢ a share, payable Oct. 1.

Ernst 2nd-qtr. net down 21%, sales up

SEATTLE—Pay 'n Save officials, in their report to shareholders for the second quarter ended Aug. 1, noted that its Ernst Home Centers were beginning to show better increases following 18 months of sluggish sales. Actual Ernst figures were not disclosed, however.

Overall, the company, which has 244 retail stores, including 70 Ernsts, showed a 21% decline in net profits to $3,775,656 on a sales gain of nearly 23% to $239,044,918 in the quarter as compared to the same period last year.

Officials attributed much of the decline in net income to a more than doubling of pretax interest expense to $6,394,532 from the same quarter a year ago. They noted that interest expense would continue to affect profits adversely if interest rates stay high.

Pay 'n Save personnel are generally pleased with store operations, however, as sales are good and gross profit and operating and administrative expenses accounted for nearly the same percentage of sales as they did last year despite the addition of 30 new stores since the close of the second quarter a year ago.

Sharon Steel's investment totals 29% of Evans stock

WASHINGTON—Sharon Steel still claims that its purchases of Evans Products' stock are for investment purposes. Recent Sharon purchases of Evans' shares, however, have made the Miami company's stake in Evans a substantial one.

According to a Securities and Exchange Commission filing, Sharon Steel, a producer of ferrous and nonferrous metals as well as a copper and brass fabricator with other natural resource holdings, has increased its stake in Evans to 3.6 million shares, or 29.3% of Evans' common stock.

Sharon Steel, controlled by Miami Beach financier Victor Posner, began acquiring stock in Evans last year.

Evans Products is the parent company for home centers under the Grossman's, Moore's, Lindsley, Alamo Enterprises and Hubbard & Johnson names.

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National Home Center News

STOCK PRICES

Companies with predominant home center sales

	As of 9/9	As of 9/16
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	21⅞	19¾
Forest City (AMEX)	14½	14½
Lowe's (NYSE)	20	20
Scotty's (NYSE)	21¼	19¾
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	12⅜	12½

Companies with significant home center sales

	As of 9/9	As of 9/16
Action Industries (AMEX) [Action Home Centers]	3¼	3⅜
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	8¾	10⅞
Boise Cascade (NYSE)	31½	32¼
Cyclops (NYSE) [Busy Beaver]	30½	31½
Diamond Int'l (NYSE)	31	30⅜
Edison Brothers (NYSE) [Handyman, Homer's]	28½	27¾
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City Handy Dan, Orchard]	42¼	43¼
Interco (NYSE) [Central Hardware]	49¾	50½
Peavey (NYSE) [Fish, Peavey/Thunderbird]	23¼	23½
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	17	16⅜
Supermarkets General (NYSE) [Rickel]	17	16¼
Union Camp (NYSE) [Homecrafters]	46½	48¼

Over-the-counter stocks

	As of 9/16 Bid	Asked
Erb Lumber	12½	13¼
Hechinger	17½	17¾
Pay 'N Pak	14⅞	15¼
Payless Cashways [Furrow]	19⅝	19¾
Wolohan Lumber	4	4¼
Dart Drug	11⅜	11¾
Hines Lumber	19½	20½
Pay 'n Save [Ernst, Von Tobel's]	21½	21¾

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LUMBER REPORT

Railroads are on new track with rate rollbacks

By Wyatt Kash
NHCN lumber editor

There are two ways to view the recent decisions by the Union Pacific, Southern Pacific, and Burlington Northern railroads to rollback their forest product freight rates.

Kash

One is with amazement.

How long has it been since any railroad has lowered its freight rate? The fact is, in nearly 40 years of record-keeping, the Assn. of American Railroads reports that general freight rates have only gone up, never down.

The other way is with skepticism.

How long will the new rates last? The Union Pacific says its rate decrease, which went into effect Aug. 7, will last "indefinitely," meaning until there is some significant increase in its forest products shipments—probably not before early 1982.

The Burlington Northern's new rate, which became effective Aug. 31, and that of the Southern Pacific, effective Sept. 22, are both scheduled to last six months.

After that, the railroads will decide whether the rate cuts improved their respective market shares enough among themselves—as well as against their chief rival, the trucking industry—to warrant continuing a "truck-competitive" pricing strategy.

Whatever their decisions then, it is highly unlikely that the rate cuts will be much more than temporary adjustments to the sluggish forest products market. The railroads can only hold their breath so long before they'll be forced to pass on escalating operating costs.

Neither view, however, addresses the real significance of the rate drops: the stodgy, slow-to-change railroad industry is suddenly stirring.

Witness the Southern Pacific's initiation last week of a straight, per-car charge on forest products shipped along its West Coast corridor (see story, page 1).

While the new rate structure is only being tested for 90 days, its precedence for the forest products industry is nothing short of revolutionary.

Los Angeles retailers and wholesalers with access to Southern Pacific terminals, for example, suddenly stand to gain a $500-per-car price advantage on lumber shipped from Portland, over customers using other rail lines, whose rates are still pegged to weight of the load.

The new rate structure could also mean that retailers will find the savings from certain mills having access to the Southern Pacific line may well warrant switching their mix of species, in order to capitalize on the lower delivered cost of their lumber.

There are many traffic analysts who question whether a per-car charge rate structure can work for the forest products industry, given the variety of weights for similar-sized loads. The key difficulty for the railroads is deciding where the break-even point lies.

The object is to create a rate level that will win traffic away from the truckers, without at the same time, jeopardizing revenues on existing traffic.

If the Union Pacific's experience with per-car charges on

(Continued on page 37)

FUTURES

Two weeks ended Sept. 18, 1981

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	154.30	137.00	137.00	147.00	0	240.60	137.00
Nov.	160.50	143.20	145.20	156.30	3,088	239.30	143.20
Jan. '82	171.40	155.70	156.50	167.90	2,145	245.00	155.70
March	180.70	169.40	170.00	177.50	1,543	247.50	160.40
May	183.60	173.50	175.00	180.50	995	216.00	173.50
July	192.90	181.60	183.70	189.50	350	224.50	181.60
Sept.	197.30	186.60	188.00	194.70	115	229.50	186.60

Total Contract Vol. (Through 9/18): 18,850 — **Previous Two Weeks: 21,249**
Total Open Interest (As of 9/17): 8,240 — **Previous Week: 7,491**
Cash Price: $139.16 — **Previous Week: $142.10** — **Year Ago: $148.96**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	179.50	167.00	169.00	174.80	1	237.00	167.00
Sept.**	191.70	185.00	185.00	189.30	8	233.00	185.00
Nov.	185.70	172.00	173.30	180.30	1,428	237.00	172.00
Nov.**	199.00	187.00	188.20	195.50	327	236.00	187.00
Jan. '82	190.00	177.70	178.20	184.70	995	232.00	177.70
Jan.**	206.10	194.50	194.50	202.20	309	244.00	194.50
March**	212.70	202.00	203.00	208.50	215	252.00	202.00

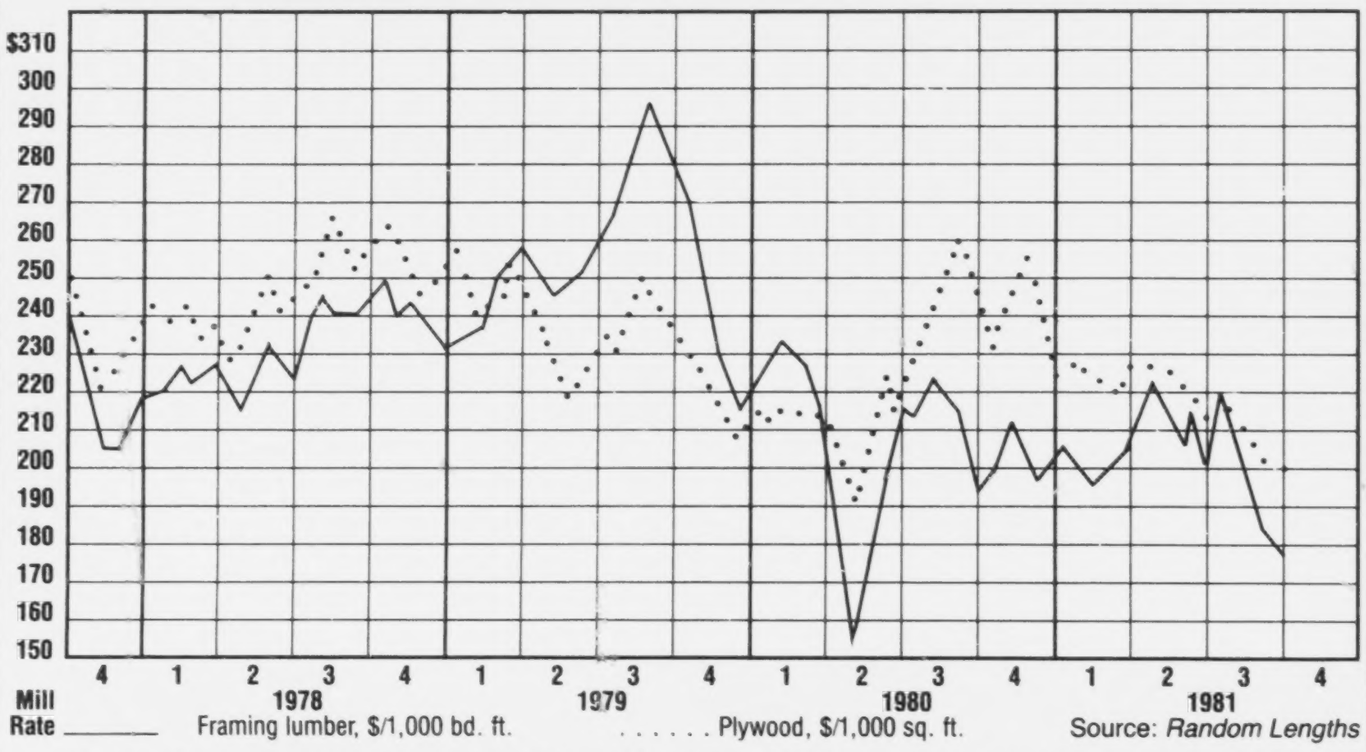
**Revised Contract, Western Plywood

Total Contract Vol. (Through 9/17): 3,797 — **Previous Two Weeks: 3,403**
Total Open Interest (As of 9/17): 3,283 — **Previous Week: 3,309**
Cash Price: $183.26 — **Previous Week: $185.22** — **Year Ago: $205.80**

COMMODITY RESEARCH BUREAU INDEX:	This Week 272.7	Previous Week 275.5	Year Ago 322.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 17; exchanges closed Sept. 7.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile

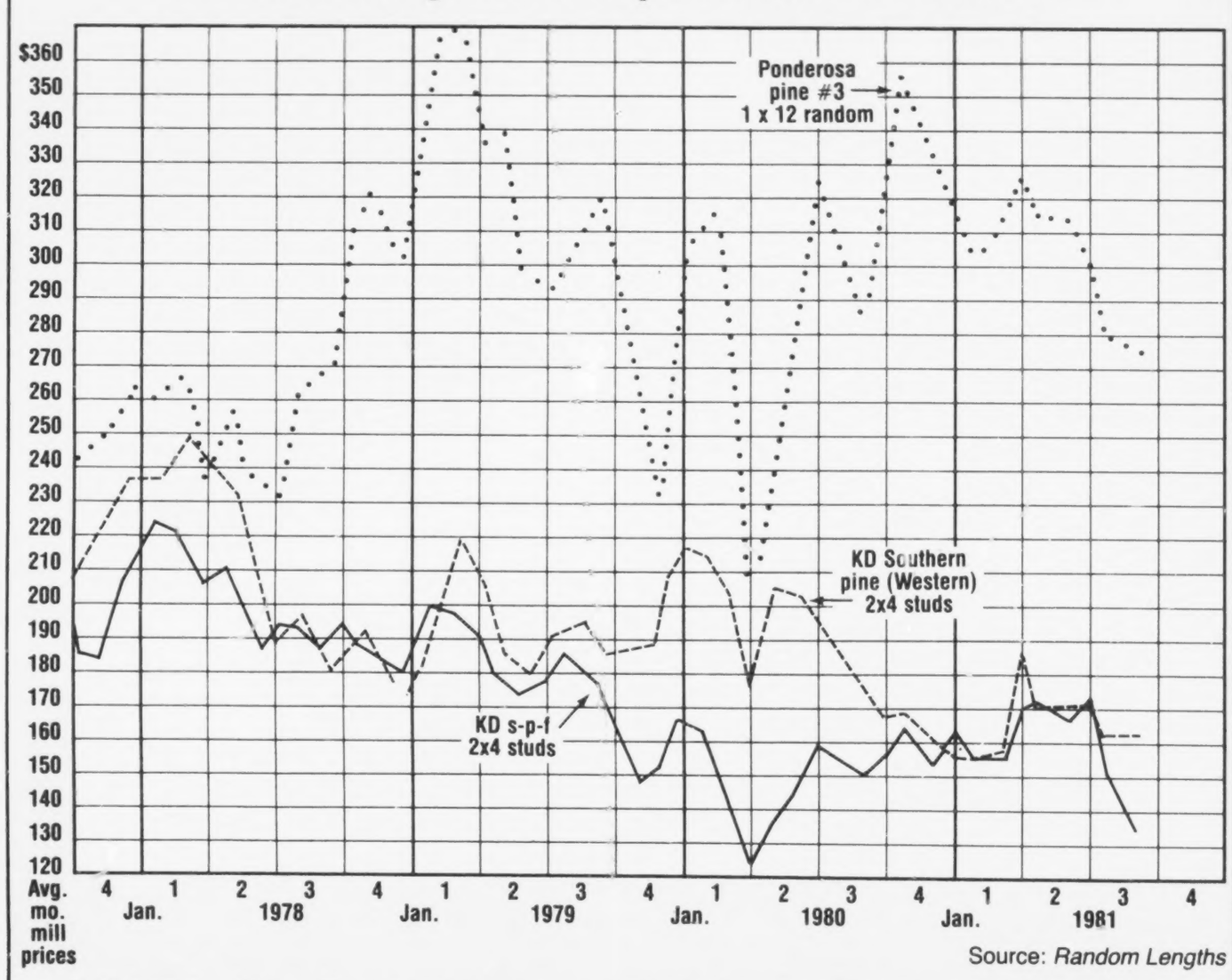


Source: *Random Lengths*

The lumber industry is bracing itself for prolonged production curtailments, not only in the United States, but to a lesser extent, in British Columbia as well. Aside from mills able to meet quick, highly specified deliveries, volume has weakened, causing price floors to bounce downward toward April 1980 levels.

Production cutbacks in plywood, meanwhile, have helped keep prices from eroding as quickly as for lumber. Weak underlying demand as the meager building season ends, in the face of some surplus mill inventories, however, has caused prices to slide. Composite price levels, as of Sept. 21, declined to $178 per 1,000 bd. ft. for lumber, and settled to $200 per 1,000 sq. ft. for plywood, based on Random Lengths weighted averages of nine key framing lumber, and seven key plywood items.

Commodity close-up: Studs & boards

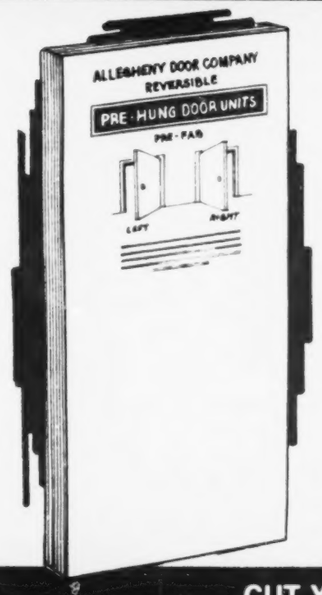


Source: *Random Lengths*

British Columbian mills woke up last month to the grim reality of the market, discovering that despite the absence of two months of s-p-f production, market prices were declining. United States mill closures and curtailments could not offset the lack of demand, sending the monthly average for 2x4 s-p-f studs from $171 in July to an estimated $135 last month.

Many mills shifted to board production, bringing #3 pine 1x12 prices down to an estimated average of $275 last month under increased competition for limited orders. Prices for southern pine 2x4 studs, meanwhile, dropped to an estimated average of $162.

REVERSIBLE PREHUNG INTERIOR DOORS



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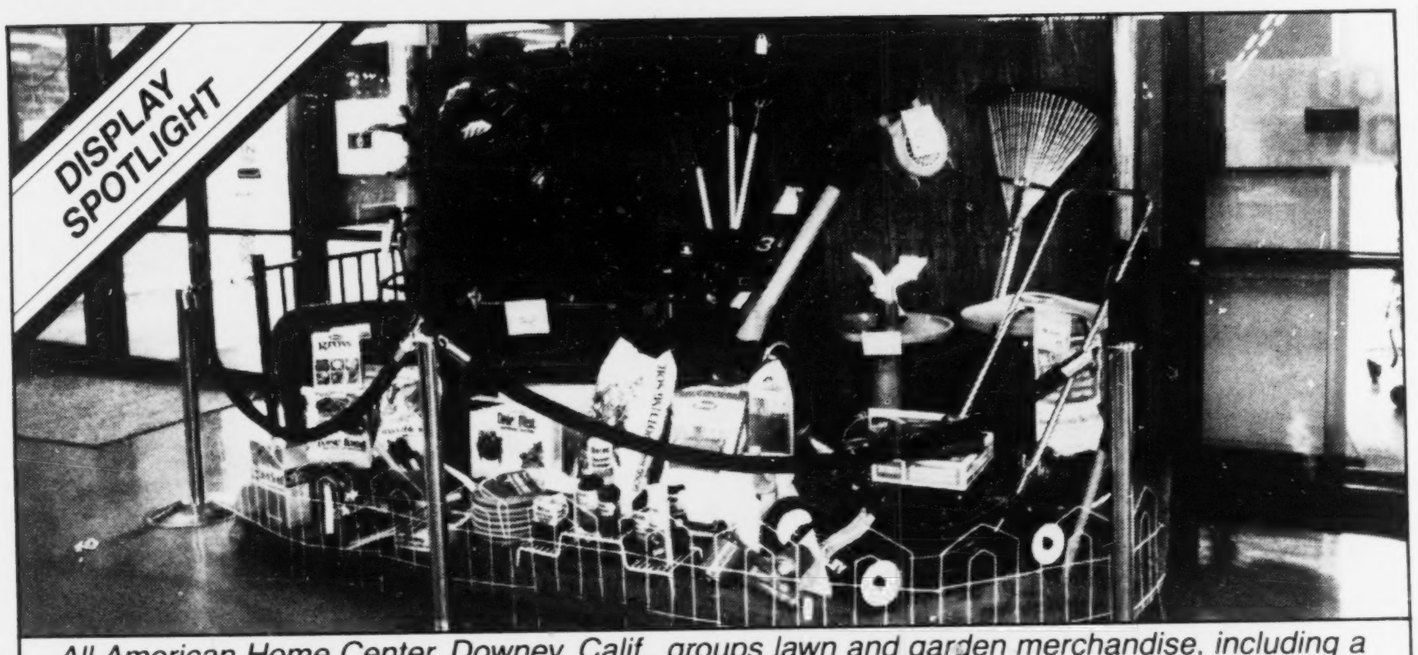

All American Home Center, Downey, Calif., groups lawn and garden merchandise, including a power blower suspended from the ceiling, in a seasonals display near the entrance. NHCN photo

Study: Demand to quadruple for medium-density fiberboard by '95

CLEVELAND—Medium-density fiberboard, a rival to particleboard, will remain the fastest growing type of building board in the United States through 1995, according to a new market study.

While the overall building board market is nearing saturation, with predicted annual growth at less than 2% through 1995, the demand for medium-density fiberboard is expected to quadruple from 465 million sq. ft. to 1.94 billion sq. ft.

Softwood plywood will remain the most commonly used building board, with United States consumption expected to reach 23.4 billion sq. ft. (⅜-in. basis) by 1995, growing at a compound rate of 1.4% from 1980's total of 15.7 billion sq. ft.

The new market study, prepared by the Cleveland-based research firm, Predicasts Inc., said that a deceleration of the home building market following a mid-1980's peak will limit the growth potential of building boards in the construction market, and indirectly the furniture markets, into the 1990's.

Altogether, shipments of softwood and hardwood plywood, particleboard, hardboard, medium-density fiberboard, insulation board and gypsum board are expected to reach 73 billion sq. ft. in 1995, compared to 46 billion in 1980.

The study did not break out figures for waferboard or oriented strand board.

While particleboard shipments are expected to increase from 3.38 billion sq. ft. in 1980 to 6.64 billion in 1995, at an annual growth rate of 3%, the Predicasts study predicted medium-density fiberboard would continue to encroach on particleboard markets, such as furniture manufacturing, where the fiberboard's "superior edge makes it worth the higher cost."

The 117-page study, "Building Board Markets," is available from Predicasts, 11001 Cedar Ave., Cleveland, Ohio 44106 at a cost of $825 a copy.

U.S. building board consumption

(Million square feet)

Item	1980	1995	% Annual Growth
Softwood Plywood (⅜")	15,675	23,350	1.4
Hardwood Plywood*	3,995	6,380	0.7
Particleboard (¾")	3,380	6,440	3.0
Hardboard (⅛")	6,315	10,925	2.5
Medium-density Fiberboard (¾")	465	1,935	8.7
Insulation Board (½")	2,295	4,025	0.9
Gypsum Board	13,905	20,315	1.6
Total	**46,030**	**73,370**	**1.7**

*Surface Area

Source: Predicasts Research Group; NHCN chart

Medium-density fiberboard shipments will quadruple by 1995, according to a new market report on building board consumption, while overall growth will decelerate.

Rollbacks

(Continued from page 36)

shipments of perishable foods is any indication, however, there are some strong reasons in favor of straight charges per car.

By giving the shipper the incentive to load up a car as much as possible, he is offered new flexibility, and a per-pound freight savings. The railroads, in turn, by shipping more freight in fewer cars, increase their revenues, particularly as they begin to improve their car turnaround.

Ultimately, according to one Union Pacific marketing manager, the per-car charge rate structure has been mutually beneficial to both the railroad and the shippers, perhaps most of all, because of the simplicity of the rate itself.

Right now, the average rail car carrying forest products ships only 60% full, relative to its capacity, according to one railroad official.

Many dealers would argue that the cost of inventory does not make it worth bringing in a fully loaded car of lumber. The high cost of money makes it too expensive.

However, if lumber buyers expect railroads to artificially maintain lower rates, without actually achieving new economies of operation, as would most likely result from more fully loaded cars with a straight freight charge, they are engaging in wishful thinking.

It is clear that the railroads are exercising muscles that have not been used in many a year. They will do so cautiously, particularly because each railroad is aware that at the moment, the revenue pie for forest products shipments is shrinking.

Lumber buyers should be exercising close vigil on the railroad's moves, be nimble enough to capitalize on short term advantages, and ultimately, let the railroads know whether or not their changes are truly on a positive track.

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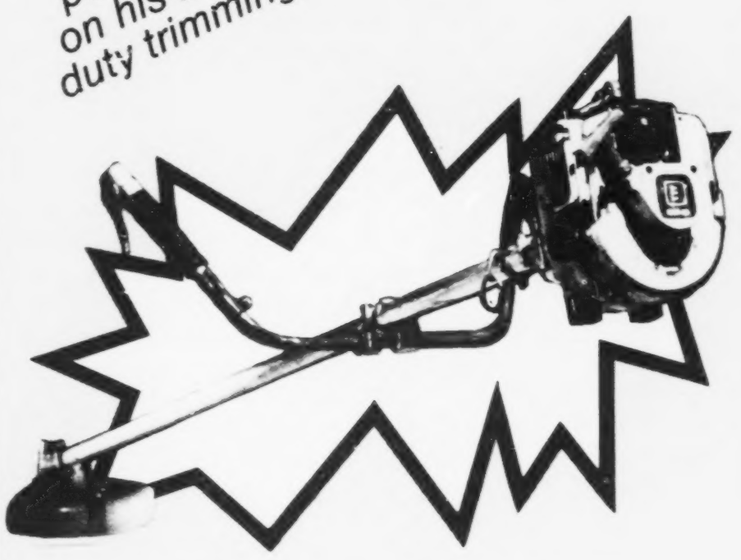
Roger Bracken, a professional landscaper in Greenville, S.C., uses an Echo (an SRM302-ADX) Spring, Summer and Fall. In a good week, he puts up to 40 hours of running time on his Echo — all of it doing heavy duty trimming, clearing and cutting.*



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National Home Center News®

Vol. 7, No. 22 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • October 26, 1981
$7 per year $2 per copy

Wholesalers struggle to offset interest rates

By John Caulfield
NHCN field editor

NATIONAL REPORT—Wholesalers are fighting for their lives.

Distributors around the country have had to travel a rocky road this year, a road strewn with 20%-plus interest rates, a collapsed housing market and dramatic increases in operational costs.

Consequently, wholesalers have watched their sales and earnings plummet markedly and almost all lament that 1982 will be more of the same if the cost of borrowing doesn't come down.

Sales to home centers may be the last refuge for battered wholesalers, but as Palmer G. Lewis president Dick Lundgren explained, "our biggest problem is high interest rates. You can put that in capital letters."

The $115 million Auburn, Wash.-based PGL expects to be profitable this year, but Lundgren is not smiling. Nor can the industry.

In the first half of this year, PGL's net income dropped 44.2% to $338,000 and, excluding sales from recent acquisitions, the company's revenue is down 3%-5% (*NHCN*, Sept. 28). Lundgren said he expected totals for the year to reflect the downturn in the first half.

In every region of the nation, economic illness has afflicted wholesalers, several of whom told *NHCN* that they, and their competitors, were holding on by their fingernails.

In fact, a first quarter report in *Dun's Statistical Review* stated that 35 lumber, building materials and hardware distributors either declared bankruptcy or dissolved, a figure considered conservative by most industry observers. The full-year total in 1979 was 81.

"Our members are under enormous pressure," said Frank O'Dowd, executive vp for the National Building Material Dealers Assn., Chicago. "And it isn't just the drop in housing starts; consumer business is off, too, so we're getting it from both sides."

He noted that while he knew of only five NBMDA members

(Continued on page 62)

Allen, Linkletter vie for audience

TV battle brewing for '82 show

By Kenneth Schept
NHCN senior editor

CHICAGO—A battle for early morning audiences at the March 1982 Home Center Show has erupted between the West Coast firm that produced past Hardware and Home Center Show programs and a new entry from Chicago.

CDS, a subsidiary of Cal Dunn Studios, Chicago, will develop its Home Center Show television programs in conjunction with Vance Publishing, the show's sponsor.

Video Communications Group, Hollywood, Calif., TV producer at three past Hardware Shows, is now the outsider.

At stake are advertising dollars that are potentially significant, since a single advertiser purchasing the most complete package available, can underwrite almost 10% of a production's estimated $200,000 cost.

The contest has turned bitter, with VCG charging that

(Continued on page 4)

Steve Allen and Art Linkletter host two competing TV shows at the 1982 Home Center Show at McCormick Place, Chicago. The fight for the "championship" may determine who will return the following year. NHCN art

Grace's $769M in '81 sales leads $29B DIY industry

NEW YORK—W. R. Grace strengthened its hold on the No. 1 position in DIY sales this year with estimated sales of $769 million, a 15.6% increase over the previous year, according to *NHCN*'s 1981 Industry Census.

Grace lead an industry that had one of its most difficult years as exorbitant interest rates lowered builder sales to all-time lows and inflation's double-digit pace took the spark out of consumer spending.

Massive promotional efforts by many home center dealers during the course of the last 18 months also took their toll on bottom line performances.

Despite the tough year DIY sales at the top five chains are expected to grow or hold steady in 1981.

The No. 2 operator, Evans, operators of six chains, showed an increase of 18.7% in DIY sales to $614 million, according to *NHCN* estimates (see p. 15).

But Evans' gain did not match Payless Cashways which expects to see sales grow some 28% at its 86 stores this year.

The Kansas City, Mo.-based Payless was the star performer of the year with sales estimated to jump to $466 million from $363 million in 1980. Payless surpassed Wickes in DIY sales for the first time.

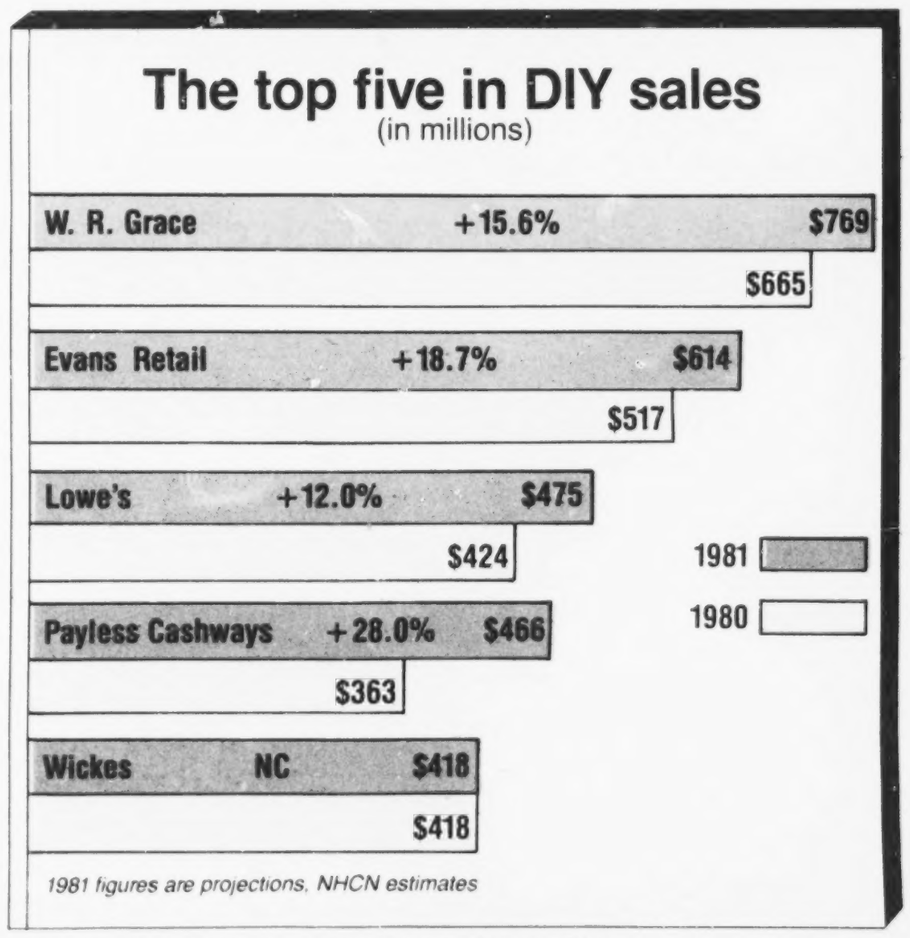
Payless and Lowe's are virtually neck and neck for the No. 3 spot in the industry.

Lowe's is expected to have a 12% increase in DIY sales this year with volume reaching $475 million from its 225 stores.

Wickes, suffering from poor professional sales, is expected to show little growth in DIY sales and severe drops in overall volume for 1981.

Total industry volume this year is expected to reach $29 billion, an increase that will keep pace with inflation.

NHCN estimates that in 1981 some 7,053 companies were operating 14,380 home centers, with about two-thirds of that number being chain stores.



Facelift pays off for Pay 'N Pak

KENT, Wash.—Pay 'N Pak's new look is paying dividends already.

Although a store re-decorating program (*NHCN*, March 16) is just reaching its culmination this fiscal quarter, the 88-unit Northwestern and Western chain has seemingly felt few ill effects from it financially.

In fact, Pay 'N Pak officials even indicate the changes, including the adoption of earth tones and contemporary canvas-type graphics with silk screens as store signs, are helping the chain now.

In the second quarter ended Aug. 31, Pay 'N Pak reported net income up 10% to $1,859,376 from the same quarter last year to give the company a 12% earnings increase for the first six months to $3,346,617. The gains came despite the estimated $300,000 cost of the store refurbishment which officials admit has "penalized" earnings.

Sales are up at the chain too. They improved 16% to $49,318,718 in the second quarter and 17% to $90,838,219 in the first half as compared to the same periods last year.

In referring to the stores' refurbishing, Pay 'N Pak's chairman and chief executive officer David J. Heerensperger said in the second-quarter reports, "Needless to say, customer response has been excellent."

The chain has also increased its gross margin from 35.6% last year to 36.6% this year, but the higher gross has been offset by higher interest expense.

The changes have caught the eye of security analysts.

"The stores are fresher, more modern and appealing," said Orville Forte of Montgomery Securities, San Francisco. On the chain's business, he noted, "Sales have held up well."

Forte projects Pay 'N Pak's fiscal 1982 earnings to rise 13% to about $7.3 million and sales to grow 16% to $175 million from the year before. He anticipates an even better fiscal 1983 with earnings up 30% to $9.5 million on a sales increase of 20% to $210 million.

The chain, which opened its

(Continued on page 62)

NEWSBREAKS

MARCHING TO PEORIA. Handy Andy president Ron Rashkow has made his first home center acquisition outside of the Chicago market, purchasing two Dawson's Home Centers in Peoria and Springfield, Ill. The transaction gives Rashkow 10 outlets.

COOK LEAVES HANDYMAN. Don Cook, 42, has resigned his post as vice president and general merchandise manager for the 79-unit Handyman chain, San Diego. Cook, who has been with the chain for 12 years, would not specify his future plans.

INTEREST RATE CASUALTY. Conklin Lumber, a 16-unit London, Ontario, chain has "closed and locked" four home center stores and initiated a $4.5 million liquidation sale.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

NAHB president on housing: 'Virtually out of business'

WASHINGTON—The latest estimate for total new home starts in 1981 has been lowered to 1,070,000 units by the National Assn. of Home Builders.

"Housing is virtually out of business," declared Frederick J. Napolitano, a Virginia Beach builder recently elected to succeed Herman J. Smith as president of the NAHB.

What concerns observers throughout the housing and building materials industries most, however, is that despite the depth of the 35-month long housing recession, the outlook for the next nine months shows little relief in sight.

Business failures among construction firms are already 41% ahead of last year, observed Napolitano, and many more are expected in the coming months.

September housing start figures, which were not yet released at presstime, were expected to match those of August, when the rate of new single-family home starts plunged to a record low of 591,000 units and the rate of total starts fell to its third lowest level in three decades at 937,000 units.

Meanwhile, existing home sales for August, which affect the DIY and repair and remodeling market, fell for the seventh straight month to an annual seasonally adjusted rate of 2.26 million units—down 10.3% from July and 43.8% from typical levels 18 months ago.

F. W. Dodge reported construction value for residential buildings contracted in August totaled $4.89 billion, a 6% decline from July, despite 9% increases in other key construction sectors.

The outlook appears even gloomier in light of new figures on the availability of mortgage money.

According to the Federal Home Loan Bank Board, the average interest rate charged for new home loans rose to the highest level on record last month, to 17.71% on 25-year conventional mortgages. Effective mortgage rates are frequently higher.

Furthermore, despite some marginal relief expected from net savings inflows from investment in All Savers Certificates, Smith Barney vice president, Barbara Alexander, observes that total funds available for mortgage loans will have declined by 50% during the 1977-81 period—"a significantly negative factor in providing financing for housing during the coming recovery."

The impact of high interest rates on housing promises to send the nation into a full-fledged recession, warns NAHB chief economist, Michael Sumichrast.

With joblessness among builders expected to swell to 1.1 million this winter—along with half of the nation's 102,000 western woodworkers now out of work, or on curtailed schedules—Sumichrast said that national unemployment will shoot up from 7.2% in August to 9% in December. That was the level at which it peaked in the depth of the recession in the spring of 1975, he said, following a similar period of million-unit housing start rates.

Using elbows for shoulders and tees for elbows, Sundance Lumber, Laverne, Calif., screwed together a little pipe character to create interest in its plumbing department. NHCN photo

Home improvement market hits $12.8B in 2nd qtr.

WASHINGTON—Homeowners spent an estimated $12.8 billion to maintain and improve their residential properties in the second quarter of 1981, indicating a slight decrease from first-quarter outlays, but an overall gain from a year ago. The rate of expenditures continues to run substantially higher than the rate of four or five years ago.

According to figures from the U.S. Census Bureau, expenditures for maintenance, repairs and construction improvements dropped from the seasonally adjusted annual rate of $45.7 billion in the first quarter to $45.1 billion in the second quarter.

That compares to 1980's higher $48.2 billion first-quarter rate, but lower $43.9 billion second-quarter rate. Third- and fourth-quarter outlays last year were at rates of $45.3 billion and $49.2 billion respectively.

More significantly for home-center operators, second-quarter outlays by owner occupants of single-family properties totaled $8.2 billion, up from the first-quarter total of $5.5 billion, and just slightly below second quarter 1980's total.

A breakdown of the second-quarter expenditures showed single-family home owners spent $2.23 billion on residential alterations and another $519 million on additions to existing homes. An estimated $1.51 billion was spent on property outside residential structures, while $2.16 billion was spent on home maintenance and repairs. An additional $1.76 billion was spent on major replacements, considered part of general construction improvements, bringing total construction improvements to $6.03 billion in the second quarter.

That figure compares to first-quarter construction improvements of $4.13 billion, and the slightly higher second quarter 1980 total of $6.15 billion.

Those figures, according to the Census Bureau, are subject to 9% relative standard error.

Scotts absorbs acquisition

Frank's new look due by year-end

LINTHICUM, Md.—The seven Frank's DIY Hardware outlets, acquired by Scott's late last month for more than $2 million, will be converted into Scott's units by the end of the year, according to Earl R. Halterman Jr.

Halterman, president of Scotts Seaboard Corp., parent of the now expanded 16-unit Scott's chain in the Baltimore/Washington area, said the Frank's stores will retain their name while the new owners increase the stores' inventory levels and make the stock there compatible with Scott's.

"We'll add some product depth to the stores," he said. "We'll de-emphasize the pots and pans and go to the Scott's approach of lumber and building materials, hardware, paint and decorative items.

"We'll refurbish, remerchandise and change some of the layouts."

The transition is expected to take 60-90 days, Halterman said, and will include the changing of store names from Frank's to Scott's.

Halterman noted that Scott's management plans to keep most of Frank's employees.

"We're more than doubling our size and we need people," he explained. He added, however, that Frank's president Frank Akman is not being retained on a consulting basis but will be available in the interim "if we need his help."

In a statement following the purchase, Halterman noted, "The consolidation of management, merchandising and advertising upon completion of the transition should enhance future opportunities for the chain. The good management and excellent locations of Frank's fit in well with Scott's growth plan."

In addition to the Frank's acquisition, Scott's has started an expansion program which is bringing the first new units into the chain since 1975. A store in Golden Ring, Md., debuted recently. New stores in Milford and Pasadena, Md., will bring Scott's chain total to 18 by the start of 1982.

The purchase price included payment of cash, amounts associated with existing leased locations and the issuance of 50,000 shares of Scotts Seaboard common stock, officials said.

Frank's had been ailing from an overbought situation, primarily in seasonals, in the past year (*NHCN*, Aug. 17, Sept. 14). It had closed stores in Aspen Hill, Md., and Alexandria, Va., and released its Beltsville, Md., warehouse. It appeared, however, that the chain was recovering from its problems at the time the sale was announced.

Scott's did $8.9 million in sales in the six-month period ended Aug. 1. The chain reported sales of $14.5 million in the last fiscal year.

For the first six months of the current fiscal year, Scotts Seaboard had net income of $355,000 on sales of $12.6 million after taking into account a credit for an income tax benefit resulting from net operating losses.

It had net income of $353,000 on sales of $20.1 million for the year ended Jan. 31 after taking into account a similar income tax benefit.

INSIDE

HOUSING IS "virtually out of business," claims the president of the National Assn. of Home Builders, p. 2. . . . **WICKES COMBINES** forces in a new Gambles home center prototype for smaller markets, p. 3. . . . **THE FTC** may change the rules to make advertising insulation on TV easier, p. 10. . . . **PROFILES** of the top two dozen home center chains, p. 15. . . . **THE TOP 100,** the definitive listing of chains and independents ranked according to 1981 DIY volume, p. 17.

Due to the length of the special Census '81 report, The Retail Management Course does not appear in this issue. The course will resume next issue.

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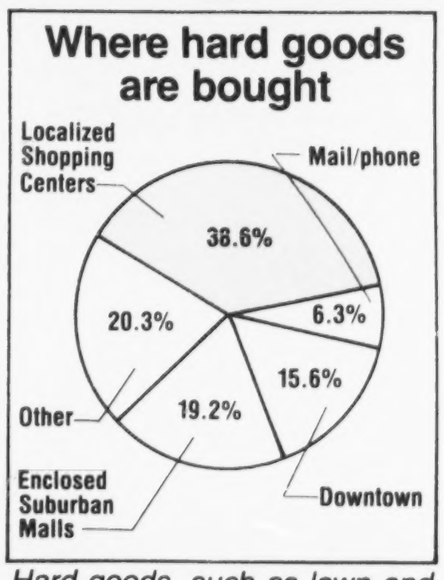
Local shopping centers are tops in sales of hard goods: Survey

COLUMBUS, Ohio—Consumers most often purchase hard goods at local shopping centers rather than regional enclosed malls or other locations, according to a recent report by Management Horizons, Columbus, Ohio, a marketing research firm.

Higher price-point hard goods are most often purchased in freestanding stores, such as home centers, however, according to the report.

The average hard goods ticket in a freestanding store was $63.84 compared with $48.36 at all other locations. Hard goods surveyed included leisure, recreation and hobby merchandise; home furnishings and equipment, and hardware, lawn and garden and auto supplies.



Hard goods, such as lawn and garden and automotives, are bought most often at local shopping centers. NHCN chart

Men make 25.4% of their hard goods purchases in freestanding stores compared with 17.5% of women, who prefer to shop in enclosed suburban malls.

The report also discovered that young couples with no children make a significantly greater percentage of their hard goods purchases in freestanding stores, 25.3%, compared with other family groups.

The study, called Locational Patterns for Hard Goods Purchasing, also found that hard goods purchases in downtown shopping districts were more likely to be made by lower income consumers.

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 7, No. 22 October 26, 1981

CENSUS 81

HOME CENTER INDUSTRY PROFILE

Grace shifts DIY gears, eyes $1B in sales in '82

NEW YORK—After five tumultuous years of gobbling up regional chains, the W. R. Grace home center machine has shifted gears.

With its acquisition plans reportedly 85% to 95% complete, Grace concentrated largely this year on consolidating its home center operations, preparing the home center division for $1 billion in 1982.

Sales for 1981, by *NHCN* estimates, are expected to reach $810 million, up 15% from 1980 when the division reported sales of $706 million, making Grace the leading home center operator in the United States for the second year in a row, based on consumer sales.

Before this year is out, Grace expects to have 270 home centers in operation in 27 states—26 more stores than at year-end 1980.

The rapid expansion of Grace's home center division, however, has placed an increasingly heavy burden on the $6.1 billion conglomerate's capital reserves. While *NHCN* estimates Grace earned 2.6¢ on every home center dollar netted last year (compared to 6.2¢ on the corporate dollar) Grace caught the home center industry by surprise by deciding in February to sell 50% of its $1 billion home center, sporting goods, western wear and jewelry business to Dutch retailing giant, Vroom & Dreesmann B.V. The five-year sell-out is expected to bring Grace $250 million, which reportedly will be plowed back into Grace's chemical and natural resources businesses.

While Grace officials confirmed that the joint venture will be spun off into a separate, equally owned company within the next couple years, chairman J. Peter Grace denied that the deal signaled any intentions of exiting the DIY field.

W. R. GRACE

	1981 (proj.)	1980
Units	270	254
Sales	$810 mil.	$706 mil.
% DIY	95%	94%

Includes Allwoods, Angels, Cashway, Channel, Green Harris, Handy City, Handy Dan, and Orchard Supply.
Source: NHCN

Frank Denny, who was named president of W. R. Grace's home center division earlier this year, expects sales for the seven-chain home center operator to reach $1 billion next year.

Handy Dan/Angels —

SAN ANTONIO—W. R. Grace continues to operate its Handy Dan/Angels group as three autonomous, regionally segmented divisions:

The largest division, based here, includes 54 Handy Dan and eight Green/Harris Building Materials outlets in the Southeastern Sunbelt states and Texas. The division opened three new Handy Dan units this year, but closed down one of its Green/Harris outlets, in part due to its traditional ties to contractor business (estimated to be 40% of total sales), which has fallen off sharply.

The second division, based in Phoenix, operates 15 Handy Dan units in the Midwest and Colorado, and 12 Angels stores in Arizona, a total of four more stores than last year.

Together, the two divisions' 89 stores contributed an estimated $276 million to Grace's home center sales, compared to $237 million estimated for 1980. It is estimated Green/Harris contributed $20 million to 1981's total, about the same as last year.

The third division, Angels-California, based in City of Commerce, operates 15 stores, two fewer than last year. However, because of Angels' aggressive, low-price attack on the market, launched earlier this

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Evans Products biz to top $722M; expansion slowed

PORTLAND, Ore.—Evans Products is expected to total $722 million in retail sales from its 335 home centers during 1981. The dollar volume, excluding sales from the 11 Inside Outlet stores featuring paint and wallpaper, is about 7% higher than last year.

Company officials indicate that Evans' retail do-it-yourself business will grow from 82% of total sales in 1980 to 85% this year.

The company slowed its expansion during the year and is currently operating only two more home centers than it did at the end of 1980. The only changes in store count have come in the Lindsley chain which is operating three more units and at Moore's which has one less store.

Still, Evans officials are on record as saying that expansion will continue at a fast pace.

"We will continue to expand, and our objective is to reach 450 to 500 stores within the next five years," chairman, president and ceo Monford Orloff said at Evans Products' annual meeting in May.

"Our efforts will be concentrated in our present areas of strength which we have not fully penetrated in the sense of having a number of stores in a particular area."

Orloff has cited potential expansion for Texas, Oklahoma, Louisiana and northern California, Oregon, Washington and Idaho.

Also during the year, Evans decided against pursuing a merger with Portland, Ore.-based retailer Fred Meyer.

EVANS PRODUCTS

	1981 (proj.)	1980
Units	335	333
Sales	$722 mil.	$680 mil.
% DIY	85	82

Source: NHCN

Grossman's —

BRAINTREE, Mass.—Grossman's will show approximately the same 7% increase in sales during 1981 as the entire Evans Products retail division, according to an *NHCN* estimate. The chain's volume will reach $375 million.

Grossman's is operating the identical number of units, 193, as it did in 1980, but DIY volume as a per cent of total sales will increase from 90% last year to 92% this year.

Merchandising changes at the chain this year included the testing of passive solar energy through a $2,449 room addition package for DIYers and the dropping of wall coverings after a four-year, eight-unit experiment because of unsatisfactory sales.

Grossman's

	1981 (proj.)	1980
Units	193	193
Sales	$375 mil.	$350 mil.
% DIY	92	90

Source: NHCN

Grossman's units in the West began adopting the same retail computer processing system as the Moore's chain. The system includes POS terminals and processors connected to Braintree headquarters.

Lindsley —

MIAMI—Lindsley has been the only Evans Products retail company to add to its store count in 1981 and the additions will help the chain boost sales to $115 million from $100 million last year, according to *NHCN* estimates.

The 100%-DIY chain opened new units in Cutler Ridge, Tamiami and West Boca, Fla., to increase its total to 42 stores, all in Florida.

The chain confronted new competition in its Miami-Fort Lauderdale market as Atlanta-based Home Depot launched an expected four-store attack with the opening of two stores in the area around Labor Day.

Evans Products has been pleased with its 1979 acquisition, however. Its outlook was typified by chairman, president and ceo Monford Orloff's remarks to *NHCN* earlier this year when he called Lindsley "substantially more profitable than the other two chains [Grossman's and Moore's].

Grossman's, the 193-unit flagship chain for Portland, Ore.-based Evans Products, is expected to contribute $375 million to Evans' total 1981 home center sales. NHCN photo

Lindsley

	1981 (proj.)	1980
Units	42	39
Sales	$115 mil.	$100 mil.
% DIY	100	100

Source: NHCN

Moore's —

ROANOKE, Va.—Moore's will have the smallest sales increase among the Evans Products' chains, in part, because 35% of its business is with builders. *NHCN* projects Moore's 1981 volume will total

(Continued on page 18B)

Moore's

	1981 (proj.)	1980
Units	86	87
Sales	$137 mil.	$130 mil.
% DIY	65	65

Source: NHCN

CENSUS 81 FACTS AND FIGURES

The top 100 home center chains

DIY Rank	Chains	DIY $ Volume (in millions) '81 (proj.)	DIY $ Volume (in millions) '80	Number of units '81	Number of units '80	Number of units '82 (proj.)	% Consumer	1981 Total $ Volume (in millions)
1	**W. R. Grace,** New York (incl. Angels, Cashway, Channel, Green/Harris, Handy City, Handy Dan, Orchard)	769	665	270	254	300	95	810
2	**Evans Retail,** Braintree, Mass. (incl. Alamo, Grossman's, Hubbard & Johnson, Lindsley, Moore's, Steel City)	614	517	336	333	N.A.	85	722
3	**Lowe's,** North Wilkesboro, N.C.	475	424	225	214	240	50	950
4	**Payless Cashways,** Kansas City, Mo. (incl. Furrows)	466	363	86	78	100	95	490
5	**Wickes,** San Diego (incl. Wickes Lumber, Builders Emporium)	418	418	278	280	285	47	890
—	**Grossman's,** Braintree, Mass. (see Evans)	345	322	193	193	N.A.	92	345
6	**84 Lumber,** Eighty-Four, Pa.	302	275	350	300	N.A.	55	550
—	**Handy Dan** (incl. Green/Harris, Angels in Ariz.) (see Grace)	276	237	89	83	100	95	262
—	**Channel Home Centers,** Whippany, N.J. (see Grace)	230	206	89	85	96	100	230
7	**Ernst Home Centers,** Seattle (incl. Pay 'n Save, Von Tobels)	230	207	76	70	80	100	230
8	**Handyman,** San Diego (incl. Homer's)	213	193	81	75	N.A.	100	213
9	**Hechinger,** Landover, Md.	210	170	33	29	37	100	210
10	**Scotty's,** Winter Haven, Fla.	206	169	81	75	86	70	295
11	**Rickel Home Centers,** South Plainfield, N.J.	194	164	31	30	N.A.	100	194
—	**Builders Emporium,** Irvine, Calif. (see Wickes)	182	160	62	55	69	100	182
12	**Central Hardware,** St. Louis	180	165	30	28	N.A.	100	180
13	**Pay 'N Pak,** Kent, Wash.	169	154	72	70	75	75	225
14	**Ole's Home Centers,** Pasadena, Calif.	160	140	32	29	36	100	160
15	**Boise Cascade,** Boise, Idaho	153	152	96	103	N.A.	47	326
—	**Lindsley Home Centers,** Miami (see Evans)	115	100	42	39	N.A.	100	115
16	**Forest City,** Cleveland	113	104	21	21	23	96	118
17	**West Building Materials Centers,** Atlanta	113	113	65	65	N.A.	75	150
18	**Menards,** Eau Claire, Wis.	112	98	15	12	N.A.	85	132
19	**Pergament,** Melville, N.Y.	105	95	44	40	N.A.	100	105
—	**Handy City,** Atlanta (see Grace)	95	74	53	46	54	100	95
20	**National Lumber,** Santa Ana, Calif.	90	70	12	9	13	100	90
21	**McCoy's Building Supplies,** San Marcos, Tex.	78	61	33	28	38	80	98
22	**Diamond Retail,** Sacramento, Calif.	78	79	125	123	130	28	280
23	**Hugh M. Woods,** Denver	72	55	12	10	14	90	80
24	**Erb Lumber,** Birmingham, Mich.	69	79	36	35	N.A.	66	104
—	**Cashway Home Improvement,** El Paso (incl. Allwoods) (see Grace)	68	63	11	12	14	90	75
25	**Plywood Minnesota,** Minneapolis	66	64	64	64	20	100	66
26	**Lanoga,** Seattle (incl. Spenard's, United Building Centers)	63	57	124	118	N.A.	45	152
—	**Orchard Supply,** San Jose, Calif. (see Grace)	61	52	14	11	16	75	81
27	**Southwest Forest Industries,** Phoenix (incl. Knox Lumber, Dunlap's)	59	54	15	15	20	66	94
28	**Busy Beaver,** Blawnox, Pa.	58	53	31	30	34	68	85
29	**Wolohan Lumber,** Saginaw, Mich.	57	60	35	36	36	60	95
30	**Neiman-Reed Lumber City,** Sherman Oaks, Calif.	54	49	13	13	13	98	55
31	**Lumberjack Stores,** Sacramento, Calif.	54	45	6	5	7	90	60
32	**Lampert Lumber,** St. Paul	54	51	50	50	50	75	73
—	**Angels,** City of Commerce, Calif. (see Grace)	53	50	15	17	19	100	53
—	**Knox Lumber,** St. Paul (see Southwest Forest Industries)	52	49	9	9	10	80	65
—	**United Building Centers,** Winona, Minn. (see Lanoga)	49	47	113	113	N.A.	60	—
33	**Carter Lumber,** Kent, Ohio	47	45	125	120	N.A.	60	78
34	**American Maize,** Stamford, Conn. (incl. Lloyd Lumber, Lundy Briggs)	47	43	43	40	47	60	78
35	**Valu Home Centers,** Buffalo	43	40	18	18	N.A.	100	43
36	**Stambaugh-Thompson,** Youngstown, Ohio	36	32	17	17	19	100	36
37	**Handy Andy Home Improvement,** Gurnee, Ill.	35	29	7	11	13	98	36
38	**Foxworth-Galbraith,** Dallas	35	36	49	49	49	50	70
39	**Home Depot,** Atlanta	34	22	6	4	8	98	35
40	**Weyerhaeuser,** Tacoma, Wash. (incl. Dixieline, Everitt)	34	31	10	9	12	52	65
41	**Warner True Value,** St. Paul	33	30	22	23	N.A.	95	35
42	**Hill Behan,** St. Louis	33	32	31	31	31	55	60
—	**Hubbard & Johnson,** San Carlos, Calif. (see Evans)	33	39	5	5	5	55	60
—	**Alamo Enterprises,** San Antonio (see Evans)	29	25	9	9	9	83	35
—	**Lloyd Lumber,** Danbury, Conn. (see American Maize)	28	19	37	25	N.A.	75	37
43	**Homeowners DIY,** Gardena, Calif.	26	21	5	4	7	100	26
44	**Chase-Pitkin,** Rochester, N.Y.	25	21	9	9	10	90	28
45	**Goodman Lumber,** San Francisco	25	23	5	5	5	90	28

CENSUS 81 FACTS AND FIGURES

The top 100 home center chains

DIY Rank	Chains	DIY $ Volume (in millions) '81 (proj.)	DIY $ Volume (in millions) '80	Number of units '81	Number of units '80	Number of units '82 (proj.)	% Consumer	1981 Total $ Volume (in millions)
46	**Peter Kuntz Lumber,** Dayton, Ohio	25	21	29	29	29	52	48
47	**Edward Hines Lumber,** Chicago	25	24	26	25	28	40	62
48	**Action Hardware,** Cheswick, Pa.	25	15	13	12	N.A.	98	25
49	**O'Malley,** Phoenix	24	24	19	19	N.A.	30	80
50	**Somerville Lumber,** Somerville, Mass.	24	20	1	1	2	85	28
51	**Church's Lumber,** Utica, Mich.	24	23	12	12	13	66	36
52	**Pine Lumber Cashway,** Detroit	23	24	13	11	15	80	29
—	**Dixieline Lumber,** San Diego (see Weyerhaeuser)	22	18	5	4	6	40	55
53	**Scott's,** Linthicum, Md.	22	13	15	8	N.A.	95	23
54	**Gee Lumber,** Chicago	22	18	11	10	11	75	29
55	**Courtesy Lumber,** Mount Prospect, Ill.	21	19	4	4	5	100	21
56	**City Mill,** Honolulu	21	18	4	4	4	90	23
57	**Plywood Ranch,** Braintree, Mass.	20	20	28	28	28	90	22
58	**Lampert Yards,** St. Paul	20	25	42	45	42	50	40
59	**L-P Home Centers,** El Segundo, Calif.	20	20	8	8	10	80	25
60	**Paty Lumber,** Piney Flats, Tenn.	20	19	6	6	N.A.	62	32
—	**Everitt Lumber,** Fort Collins, Colo. (see Weyerhaeuser)	8	7	5	5	N.A.	60	14
—	**Lundy-Briggs,** Williamsport, Pa. (see American Maize)	20	14	21	20	N.A.	60	33
61	**All-American Home Center,** Downey, Calif.	19	17	1	1	1	100	19
62	**Brewster's,** Providence, R.I.	18	20	4	4	4	50	35
63	**Sackett & Peters,** Whittier, Calif.	17	15	2	2	3	98	17
64	**Walker Kurth,** Houston	16	17	7	7	N.A.	50	32
65	**Levy's Lumber,** Louisville, Ky.	16	15	3	3	5	98	17
66	**Eclipse Industries,** Bridgeton, Mo.	16	15	8	8	10	90	18
67	**A. C. Houston,** Wichita, Kan.	16	20	11	11	11	40	39
68	**Kindt,** Lomira, Wis.	15	15	6	6	7	50	30
69	**Charles Meek Lumber,** Springfield, Mo.	15	16	11	11	N.A.	63	24
70	**Budget Power,** Minneapolis	15	13	8	7	8	90	17
71	**Williams Bros.,** Atlanta	14	12	7	7	7	80	18
—	**Spenard's Building Centers,** Anchorage (see Lanoga)	14	11	11	5	N.A.	20	70
72	**Lumbermen's of Washington,** Shelton, Wash.	14	14	6	4	6	80	17
73	**Bailey Lumber,** Bluefield, W. Va.	13	13	18	18	18	60	22
74	**Elgin Lumber,** Elgin, Ill.	13	13	3	3	4	63	21
75	**Fullerton Lumber,** Minneapolis	13	15	70	70	70	40	33
76	**Brookhart Building Centers,** Colorado Springs	13	11	6	6	6	70	18
77	**Hardware Fair,** Baltimore	13	11	10	10	10	100	13
78	**Affiliated Home Centers,** Kansas City, Mo.	12	12	22	18	22	40	30
79	**Bonanza Building Centers,** San Jose, Calif.	12	7	4	4	6	100	12
80	**Samon's DIY,** Salt Lake City	12	11	13	13	13	65	18
81	**Sunset Industries,** Tucson, Ariz.	11	12	4	4	5	60	19
82	**Conklin Cash & Carry,** Warwick, N.Y.	11	11	7	7	7	85	14
83	**Builderama,** Savannah, Ga.	11	10	6	5	7	80	14
84	**Mead Lumber,** Columbus, Ohio	11	11	14	13	14	70	16
85	**Wood Bros.,** Tucson, Ariz.	11	10	2	2	3	80	14
86	**Dawson's Home Center,** Springfield, Ill.	11	11	2	2	2	65	17
87	**Haggerty Lumber,** Walled Lake, Mich.	11	11	2	2	2	65	17
88	**McLendon Hardware,** Renton, Wash.	11	10	2	2	2	90	12
89	**Brown's Lumber,** Fairmont, W. Va.	11	10	7	6	7	70	15
90	**M. L. Claster & Sons,** Bellefonte, Pa.	11	10	12	12	13	50	21
91	**Martin Home Centers,** Alexandria, La.	11	11	12	11	12	50	21
92	**Mid-Cape Home Centers,** Orleans, Mass.	10	11	8	8	8	45	23
93	**Herr Lumber,** Seattle	10	11	6	6	7	80	13
94	**Lumber Headquarters,** Floral Park, N.Y.	10	9	13	12	14	85	12
95	**Stine Lumber,** Sulphur, La.	10	9	3	2	3	85	12
96	**TAPJAC,** Carthage, Md.	9	9	13	14	12	60	15
97	**Cox Lumber,** St. Petersburg, Fla.	9	9	9	7	9	25	35
98	**Homestead Supplies,** Yucca Valley, Calif.	8	7	7	7	7	65	12
99	**Macrose Lumber,** Massapequa, N.Y.	7	7	5	5	5	90	8
100	**Masten Lumber & Supply,** Milford, Del.	6	5	5	4	5	50	12

All data from annual reports, company sources or NHCN *estimates. Data from companies with fiscal years have been projected into 1981 calendar figures for comparison purposes.*
NA = Not Available

CENSUS 81 FACTS AND FIGURES

Lowe's shy of $1B mark, expansion slowed

NORTH WILKESBORO, N.C.—Lowe's had hoped to register its first billion dollar sales year in 1981, but it appears the chain will fall short of its goal.

Still, Lowe's officials project a record sales year in the area of $950 million, better than 7% above 1980 volume, which was 2% lower than in 1979.

The home building slump, for the most part, has stymied Lowe's from reaching the $1 billion mark. Sales to professionals dropped 9% during 1980 from the previous year and rising interest rates sapped a builder business surge after the first quarter of fiscal 1981 when professional volume was up 23% from the prior year.

Builder sales increased only 8% in the second quarter and were off 19% in August as compared to fiscal 1980 periods.

On the brighter side are retail sales. Consumer volume grew 15% in Lowe's first quarter, another 10% in the second quarter and 4% in August compared to the same periods last year. In June, retail volume of $41.7 million set a company record for four-week DIY sales.

Lowe's is concentrating on improving consumer sales further through its RSVP (Retail Sales Volume and Profit) program which will encompass the redesign of sales floors in 115 existing stores by Jan. 31, 1983. The chain is also incorporating the design in its new units.

RSVP entails a traffic plan aimed at leading a consumer through an entire Lowe's outlet. Each corner of an RSVP store is a "hot spot," featuring carpeted and attractively lit areas with high-ticket merchandise.

In addition, the technique is aimed at drawing female traffic. Items appealing to women are situated on the right-hand side of the unit while items appealing to men are clustered on the opposite side.

Lowe's is expending nearly $100,000 per store to complete each RSVP retrofit and, as of Aug. 29, it had finished 48 units, 31 in the current fiscal year ending Jan. 31, 1982. New Lowe's stores, including those opened this year in Altoona and Mechanicsburg, Pa., Owensboro, Ky., and Virginia Beach, Va., have given the chain 55 units with the new sales floor out of 218 stores in the chain.

Lowe's wants half of its business to be retail sales by 1985. It would like to combine strengthening retail sales with stronger builder business to gain that 50-50 mix.

Lowe's will fall short of the $1 billion mark in sales this year, mainly because of the home building slump. Still, the chain will post an estimated volume of $950 million. NHCN photo

In other recent developments, Lowe's shareholders approved a plan to increase common shares from 20 million to 50 million and to issue up to 500,000 shares to the company's Employee Stock Ownership Plan as deemed financially appropriate prior to the May 1982 annual meeting. The common share increase gave Lowe's directors the go-ahead to award a 3 for 2 stock split of the 13,022,-126 shares effective Oct. 12.

The directors were also seeking to list Lowe's stock on the London Stock Exchange following its listing on the New York Exchange in December 1979 and on the Pacific Exchange last January.

LOWE'S

	1981 (proj.)	1980
Units	225	214
Sales	$950 mil.	$884 mil.
% DIY	50	48

Source: NHCN

Handy Dan/Angels —

(Continued from page 15)

year by Robert McNulty, executive vice president of merchandising and operations, Angels is expected to increase its sales from $50 million last year to $53 million for 1981.

Angels, which by some observers' accounts had grown stagnant in the market because of four years of top management turnover, now appears to be turning around under McNulty's merchandising and president Buford Melton's financial discipline. Grace chairman, J. Peter Grace, recently proclaimed that the new life seen in Angels' operation is part of a three-year plan to double the chain's size and make it No. 1 in the market by 1985.

Meanwhile, Handy Dan continues to reap the benefits of higher home turnover in the Sunbelt markets, fostering steady DIY sales growth. Of all the Grace chains, Handy Dan comes closest to a prototype, with the averge 36,000-sq.-ft. store carrying 25,000 sku's, and generating about 35% of its sales from lumber and building materials.

While the Handy Dan and Arizona Angels outlets have not reverted to low-ball pricing, the chains have worked this year to stress a highly competitive price image, generally by market rather than by store. With 12 to 15 new stores expected to be opened a year, Handy Dan is quickly emerging as the flagship chain in Grace's home center fleet.

Handy Dan/Angels

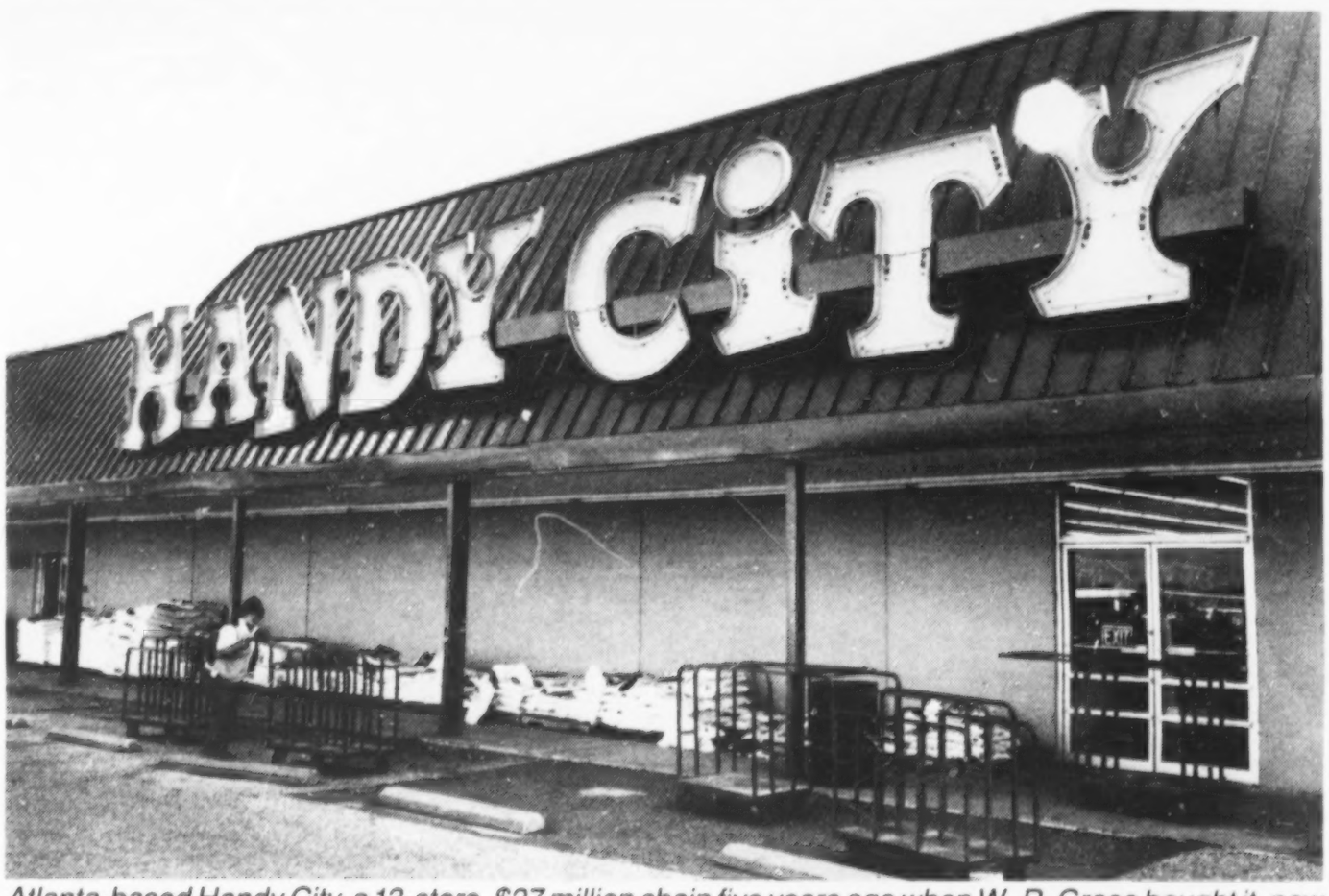
	1981 (proj.)	1980
Units	89	83
Sales	$276 mil.	$237 mil.
% DIY	95%	95%

Includes Handy Dan—Southwest Southeast division; Handy Dan Angels—Arizona, Midwest division, and Green Harris Building Materials.
Source: NHCN

Angels (California)

	1981 (proj.)	1980
Units	15	17
Sales	$53 mil.	$50 mil.
% DIY	100	100

Source: NHCN



Atlanta-based Handy City, a 13-store, $27 million chain five years ago when W. R. Grace bought it, now expects 53 stores to produce an estimated $91 million in sales for 1981. Total Grace home center sales this year are expected to top $800 million from 270 outlets in its seven-chain collection. NHCN photo

Channel —

WHIPPANY, N.J.—Compared to the expansion drives of 1978 and 1979, when Channel Home Centers was bringing on 30 new stores a year, the addition of five stores in 1980 and four more this year—bringing the total to 89—might seem like slow progress.

Not necessarily. While Channel plans to add six new stores to its five-unit Boston base next year, then plunge into Washington, D.C., with six new stores in 1983, the chain has been making headway to reposition its image as the solid lumber and building materials business it once was.

Channel's prototype, now averaging 33,000 sq. ft., is being enlarged to between 35,-000 and 40,000 sq. ft., to expand the chain's selection of building products. In addition, Channel is preparing within the year to reformat 24 of its smaller stores to accommodate expanded lumber and building material departments.

Meanwhile, the tidal wave of new stores opened two years ago are now showing signs of maturing, with chain sales for 1981 expected to show a 12% increase to $230 million, from last year's total of $206 million.

Channel

	1981 (proj.)	1980
Units	89	85
Sales	$230 mil.	$206 mil.
% DIY	100	100

Source: NHCN

Handy City —

ATLANTA—Handy City, now with 53 stores and estimated sales of $95 million, perhaps more than any other Grace chain, reflects recent efforts to consolidate operations at the chain level.

Under former Forest City president, Robert Pliner, Handy City has been redirecting its store format and fits more closely in the Handy Dan mold, reformatting many of its 36,000-sq.-ft. stores to project a greater strength in lumber and building materials.

The chain, having grown from 46 stores last year, with estimated sales of $74 million, has also restructured its field staff, using six regional operators in place of three district staffs. While the head office now plays a more centralized role, Handy City has spent a good deal of effort training its store personnel, to improve customer service.

Finally, the chain has struck a new, highly competitive pricing posture, similar to its sister chains.

It will probably be 1983 before the chain is overhauled enough to launch a new expansion drive, according to Grace sources. In the meantime, Handy City is expected to open two new distribution centers to support long-term growth.

Handy City

	1981 (proj.)	1980
Units	53	46
Sales	$95 mil.	$74 mil.
% DIY	100	100

Source: NHCN

Orchard Supply —

SAN JOSE, Calif.—Orchard Supply, the supersized hardware chain in Grace's home center collection, with nearly 80,000 sku's at some outlets, opened two new 36,000-sq.-ft. outlets this year, bringing its store count to 13 units.

Sales, which *NHCN* estimates reached $69 million last year, are expected to climb to $81 million by year-end 1981.

Orchard Supply

	1981 (proj.)	1980
Units	13	11
Sales	$81 mil.	$69 mil.
% DIY	75	70

Source: NHCN

The chain's expansion plans call for three to four new stores a year, although Orchard president, Loren Smith, has indicated that new stores will be added only as fast as they can be staffed. Orchard traditionally has 35 salespeople on the floor of each store.

Lumber and wood products, introduced at Orchard only after it was acquired by Grace in 1979, now account for about 3% of total sales.

Cashway Home Improvement —

EL PASO—Aside from the sudden increase in the amount of financial reporting demanded by its new parent, Cashway Home Improvement reports little has changed in the 15 months since W. R. Grace bought the chain.

NHCN estimates the 11-unit operation, which includes six Allwoods outlets in New Mexico, will register 1981 sales of $75 million, up $5 million from last year's estimate, despite plans to close down the chain's experimental Allwoods Home Decor store in El Paso.

Long-term plans, however, call for 15 new 40,000-sq.-ft. stores to be opened by 1986, with two due on line in Albuquerque, N.M., early next year.

There are no plans at present to phase out the chains contractor business, which in the last two years, has contributed approximately 10% to Cashway's revenues.

Cashway Home Improvement

	1981 (proj.)	1980
Units	11	11
Sales	$75 mil.	$70 mil.
% DIY	90	90

Includes Allwoods
Source: NHCN

CENSUS 81 FACTS AND FIGURES

Wickes earnings drop 79% in wake of building slump

SAN DIEGO—With net income down 79%, fiscal 1981 was the year Wickes Cos. tried to digest its year-old acquisition of Gamble-Skogmo, while riding out the gloomy performances of its building divisions.

For the year ended Jan. 31, net income for the national conglomerate was $8.3 million on sales of $2.88 billion, compared to fiscal 1980's net income of $39.7 million on sales of $1.96 billion.

The earnings dive included a nonrecurring loss of $7.65 million (*NHCN*, April 27), for discontinued operation of the Wickes Building Division in May and the sale of its forest industry divisions.

In addition, 278-unit, Saginaw, Mich.-based Wickes Lumber, which accounts for 25% of the company's business, is still suffering the ill effects of the faltering construction market, contributing to profit problems.

For the first six months of calendar 1981, Wickes Cos. lost $5 million, while six-month sales were $2.1 billion, up 13% from last year's sales of $1.84 billion.

However, company chairman E. L. McNeely is confident that measures the corporation has taken, such as personnel cuts in the lumber division have "positioned Wickes well for the months and years ahead.

"While we are not expecting any dramatic improvement in the economy, we expect to see an increase in consumer confidence and the benefit of the President's tax cut in our stores," he added.

"I think we can say with some degree of certainty that there will be a Christmas this year," he concluded.

Wickes Lumber

SAGINAW, Mich.—Stung again by another tough year for the construction industry, Wickes Lumber's 1980 is shaping up as a year of sharp expense cutting, especially in terms of payroll costs.

According to Wickes Cos. president David J. Primuth, 20% of the division's staff of 6,275 employees were recently laid off. (*NHCN*, Oct. 12).

"We've gone through every store, area office and home office too with a fine-tooth comb," said Primuth. "We cannot afford the luxury of any extra staff. We realize we're going to have to live with this kind of economy for some time in the future."

Although sales and earnings figures were not available for the 278-unit chain, insiders revealed that while sales were about even with 1980's $890 million, profits took a plunge again this year after last year's losses.

Wickes Lumber

	1981 (proj.)	1980
Units	278	280
Sales	$890 mil.	$890 mil.
% DIY	47	43

Source: NHCN

In 1980, contractor sales, which accounted for 57% of the operation's volume, were off 24%, and income was down close to 50%.

The newly appointed leader of Wickes Lumber is company veteran John V. Drum, executive vice president and group officer. He replaces Richard L. Barker, who held the position of division general manager for almost a year. Barker has been relocated in London as managing director of a new international business group.

While 1981's losses are reportedly not as steep as last year's, the chain, strapped by its reliance on builder business, is finding it necessary to make hefty cutbacks.

Looking at the year's first-quarter loss at Wickes Lumber, E. L. McNeely, parent company chairman, said, "The most significant reason for the first-quarter loss is a continuation of the unprecedented pattern of high interest rates.

"In addition to their effect on housing, higher interest costs to the company, paid on short-term borrowings to finance working capital, offset a portion of the improvement in continuing operations shown by the company," he added.

In fact, for the second quarter, Wickes Cos. posted a $14 million increase in year-to-year interest costs.

"We are doing such things as implementing more stringent capital costs controls, putting new procedures into place to further reduce administrative expenses," McNeeley said.

Apart from personnel layoffs, the operations' total store count is down two units from last year. Two stores in Jacksonville, Fla., and one each in Monroe, La., and Arkadelphia, Ark., were closed, while two new units opened—in Clarksville, Ind., and Casper, Wyo.

At presstime, manpower in the chain's two-year-old area office system was being dramatically reduced—from one- to two-thirds, depending on sales in a particular area.

Marketing and merchandising functions, which had been placed there to better control and support store-level programs, were being dismantled and returned at Saginaw headquarters.

Builders Emporium –

IRVINE, Calif.—Builders Emporium has been Wickes Cos.' strongest asset this year.

NHCN estimates sales for the 100% DIY chain, which added seven new units this year, are up about $22 million—from $160 million in 1980 to $182 million this calendar year.

Builders Emporium

	1981 (proj.)	1980
Units	62	55
Sales	$182 mil.	$160 mil.
% DIY	100	100

Source: NHCN

Five of BE's new stores—two in Sacramento, one each in Fair Oaks, Vacaville and Stockton, Calif.—were takeovers of Gamble-Skogmo-owned Tempo units. The other two new outlets are in Santa Ana and San Juan Capistrano.

The most newsworthy change for BE in 1981, however, according to general manager William T. Teachout, was the installation of its first POS system (*NHCN*, March 16).

By the end of the year, Teachout said the system will be placed in eight units, with more stores scheduled to go on stream in 1982. This month six stores were put on line, he noted.

The system, which replaces electronic cash registers, provides information to assist management in fine tuning internal controls. It can track inventory, freeing store-level employees from the time-consuming tasks of manual inventory counting.

The first store to receive the POS computer was in Costa Mesa. Installed in January, the setup there was tried as a six-month test.

Costa Mesa manager Rick Garrett said that thanks to the amount of time the computer has saved his salespeople, "there's a noticeable improvement in the look of the departments."

In addition, Garrett pointed out that the new system allows store management to determine sales of each department at various times of day. Since the system was installed, store management has been posting department sales reports at noon, 3 p.m. and 6 p.m.

With the salespeople able to see how their departments are doing throughout the day, Garrett said, "it is really generating more of a competitive spirit."

High interest costs served a crippling blow to Wickes Lumber in 1981. The 280-unit Saginaw, Mich., chain was forced to lay off 20% of its staff.

NHCN photo

Moore's

(Continued from page 15)

$137 million, up from 1980's $130 million.

The 86-store chain celebrated its 25th anniversary this year with a six-week promotion featuring reduced prices on merchandise.

It also appointed some new personnel.

Chauncey D. Wood Jr. joined Moore's as director of advertising after most recently serving as vice president of advertising and sales promotion for Family Dollar Stores, Charlotte, N.C. He replaced the late Jack Bowler who died earlier this year.

Priscilla Evans replaced Maggie L. Baker as the chain's media director. Evans came from Houck Advertising. Baker relocated to South Carolina.

James M. Lavender and Robert W. Maurer were added to the staff as merchandising managers/marketing department. Lavender, who came to Moore's from West Building Materials Centers, Atlanta, is responsible for roofing, insulation and gypsum.

Maurer, who joined the chain from Inland Wholesale Lumber, a division of Carter-Jones Lumber, Kent, Ohio, is responsible for commodity items, Lumber and plywood.

Alamo

SAN ANTONIO—Acquired by Evans Products in 1977, Alamo Enterprises gives the company a retail foothold in Texas. The chain operates nine units in the state, five in San Antonio.

Alamo Enterprises

	1981 (proj.)	1980
Units	9	9
Sales	$35 mil.	$30 mil.
% DIY	83	80

Source: NHCN

Alamo is estimated to do $35 million in sales this year, up from $30 million in 1980.

Hubbard & Johnson

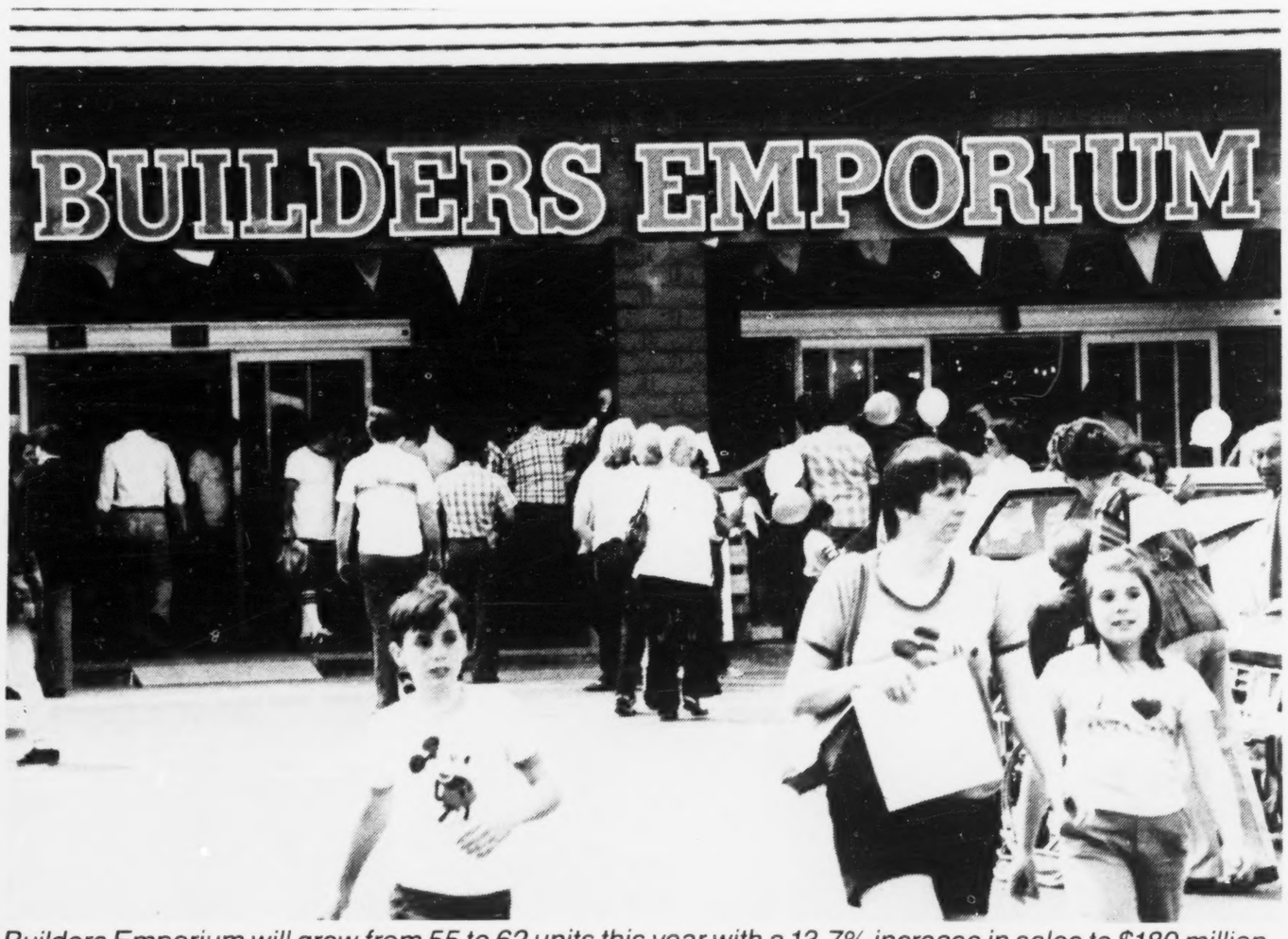
SAN CARLOS, Calif.—Hubbard & Johnson, the Evans Products' chain with the greatest percentage of contractor business, 45%, will see sales fall from $70 million last year to $60 million in 1981, according to *NHCN* projections.

The six-unit California chain operates as part of the 39-store western division of Evans retail group.

Hubbard & Johnson

	1981 (proj.)	1980
Units	6	5
Sales	$60 mil.	$70 mil.
% DIY	55	45

Source: NHCN



Builders Emporium will grow from 55 to 62 units this year with a 13.7% increase in sales to $180 million. The chain will also have its first point of sale inventory tracking system in eight of its stores by year's end.

NHCN photo

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CLASSIFIED ADS

CENSUS 81 FACTS AND FIGURES

KITCHEN/BATH
Sales: $891 million
Annual Turns: 4.0
Gross Margin: 35%
GMROI: 215%

Loss of three vanity mfrs. opens up bathroom market

NATIONAL REPORT—Biggest news in the bath market in 1981 was the loss of three major vanity manufacturers, opening up the booming field to a host of new companies and expanded distribution for established ones (*NHCN*, May 11).

Heads Up, pioneer producers of high-end oak bath products, caused shock waves throughout the industry when it announced it was pulling out of the vanity and accessories business to concentrate on manufacturing oak cabinets for Sony TV sets. Heads Up will continue to make pull-chain toilets for the DIY market, toilet seats and a carved oak mirror.

General Bath and Williams were next to bite the dust, both attributing their demise to the recession, high interest and the lack of new housing. Williams' medicine cabinet, mirror and accessory lines will be marketed by parent Lehigh Products.

Among the first new companies to try and fill the void was Dusterfields, which in May began shipping "exact replicas" of the Heads Up line. Expanding distribution was Pace Industries, Chicago and Permabilt, Torrance, Calif.

Retail sales in the vanity category started to accelerate in March and April, according to dealers. A revival in bathroom cabinet sales was projected for the third quarter.

On the West Coast, DIY dealers reported a drop in high-end oak bath accessories (*NHCN*, May 11). Lumberjack, a five-unit Sacramento-based chain, has gradually cut its wooden bath sku's by 20% to 30%. Meanwhile, back on the East Coast, the wooden bath accessory trend is reportedly just gaining momentum.

In the kitchen field, a New Hampshire firm has introduced a computer which can design kitchens, draw and change layouts, quote prices, change appliances, come up with several suggestions and print out the final plan in six minutes.

One home center manager dismissed it as a "gimmick," feeling that customers prefer the personal touch, but home centers might just ultimately be prime outlets for this futuristic machinery.

Kitchen cabinets continue to turn up in other rooms, according to a National Kitchen Cabinet Assn. survey (*NHCN*, July 6). In 1980, 93% of dealers reported selling kitchen cabinets for other rooms—compared with 88% in 1979, although only 55% of surveyed dealers said they actively promoted this kind of sale.

Payless Cashways —

KANSAS CITY, Mo.—Payless Cashways was expected to end its 1981 fiscal year Nov. 30, with sales of $490 million—a gain of 28%—and earnings of $15.7 million, 44% ahead of last year.

Net income per share was expected to reach $1.35, an increase of 42% over the 95¢ recorded in 1980 by the Kansas City-based chain.

By the end of calendar year 1981 Payless Cashways plans to be operating 86 stores in 14 Midwest, Southwest and Pacific Coast states, an addition of eight new stores this year as part of its goal to be operating 100 units by the end of 1982.

PAYLESS CASHWAYS

	1981 (proj.)	1980
Units	86	78
Sales	$490 mil.	$383 mil.
% DIY	95	95

Source: NHCN

The bright sales picture is due in part to strong same-store sales, with 60 mature stores—those at least two years old at the beginning of the fiscal year—recording sales increases of about 15%. In 1980 mature stores showed only a 4.8% improvement, which was blamed on extreme weather conditions throughout the Southwest and Midwest, consumer credit restrictions and the general decline in the economy.

Sales picked up in the fourth quarter of 1980 because of aggressive pricing. While healthy sales increases continued through 1981, the gross margin was also boosted.

Depreciation and interest expense declined as a percentage of sales in 1981, enhancing earnings. The drop resulted mostly from the conversion of much short-term debt to long term at the end of 1980.

Payless Cashways, which aims at $1 billion in sales by 1984, will enter 1982 with an expansion strategy that calls for a move away from its typical 30,000-sq.-ft. store with 24,000 sq. ft. selling space, an adjacent warehouse and covered lumberyard.

The firm hopes to build smaller units in smaller markets, further emphasizing the consumer segment of the building materials market.

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CENSUS 81 FACTS AND FIGURES

LAWN & GARDEN
Sales: $1.1 billion
Annual Turns: 3.3
Gross Margin: 34%
GMROI: 158%

Nature plays leading role in lawn and garden sales

NATIONAL REPORT—Nature played a big role in lawn and garden sales this year.

Another relatively snowless winter left about 600,000 snow blowers parked in the supply channels, with the cost of carrying the inventory estimated at $10 million for Toro alone. This situation led Toro to retrench and emphasize its dealerships rather than the mass merchandisers.

A Florida drought slowed sales of underground sprinklers there, although one chain reported that the watering efficiency of sprinklers helped keep sales from falling drastically.

In the Northeast, which was plagued by an infestation of gypsy moths, stores had a hard time keeping stocked with chemicals and traps that customers sought desperately as the caterpillars defoliated more than five million acres.

With Americans spending another vacation season in their backyards because of the high cost of gas and travel, sales of patio items remained strong.

Grills shipped were expected to reach 12,750,000, an increase of 6% over last year, according to The Barbeque Industry Assn., which predicted retail sales of about $379 million.

Backyard vacations also led to an increasing interest in patio furniture as a decorator item, with powdercoated tubular metal chaises and chairs increasing their share of the $200 million metal furniture market, although cheaper aluminum items remain dominant.

Indeed, the health of the lawn and garden industry despite problems of the economy was perhaps best demonstrated by an *NHCN* survey conducted with the National Assn. of Home Builders.

Landscaping was the No. 1 DIY project among new home buyers, with 38% of respondents indicating that they would be spending money to beautify the areas around their

(Continued on page 28)

ORTHO
Tomato Vegetable Dust
ORTHO
KLEENUP
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NEW
ORTHO
WEED-B-GON
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• Seven new titles in our ORTHO How-To books collection, giving you a year-round profit center and a natural source of tie-in promotions.
Stock up on ORTHO products—and watch your profits grow.
Chevron ORTHO
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84 Lumber

EIGHTY-FOUR, Pa.—Boosted by the opening of 50 new stores during 1981, 84 Lumber sales increased to an estimated $550 million this year, up from an estimated $500 million in 1980.

Most of the new units were located in the 350-store chain's new Eastern division, the domain of former vp of marketing and sales Joseph Hardy Jr., described by company insiders as a "merchandising whiz."

Hardy's flair for merchandising can be seen in the new merchandising program for the chain's new stores, bringing in a host of vendor-support, point of purchase displays onto the sales floor, a change from 84's spartan warehouse-type appearance.

84 LUMBER	1981 (proj.)	1980
Units	350	300
Sales	$550 mil.	$500 mil.
% DIY	55	50

Source: *NHCN*

In addition, some of the chain's existing units are being refurbished along the same lines as the new stores, aimed at making them "easier to shop in, while remaining conceptually the same," according to an 84 spokesman.

Sku's in several DIY categories are being broadened, however, although 84 insists that it is not revamping all stores or changing its basic low-overhead strategy.

Sales of "home center items" at the refurbished Smyrna, Ga., outlet are reported to be up from "35%-50%," particularly paint, lighting fixture and bath sales.

The chain's new units, measuring approximately 11,250 sq. ft., are much more compact than their older 20,000-sq.-ft. counterparts and small enough so as not to require costly sprinkler systems mandated for stores larger than 12,000 sq. ft.

During the spring sale period, the chain instituted a coupon program in its 250 Eastern units in which it donated $2 to the charity of each store manager's choice for every gallon of paint purchased. In addition, customers saved 50¢ on each gallon.

Ernst

SEATTLE—Parent company Pay 'n Save continued its aggressive expansion program for its home center operations during 1981.

Six new Ernst Home Centers have opened their doors thus far during the current fiscal year (beginning Jan. 31, 1981) bringing the Pay 'n Save home center division total to 70. The division also includes three Von Tobel's home centers in the Las Vegas area and three Yard Birds general merchandise stores in Washington.

ERNST HOME CENTERS	1981 (proj.)	1980
Units	76	70
Sales	$230 mil.	$207 mil.
% DIY	100	100

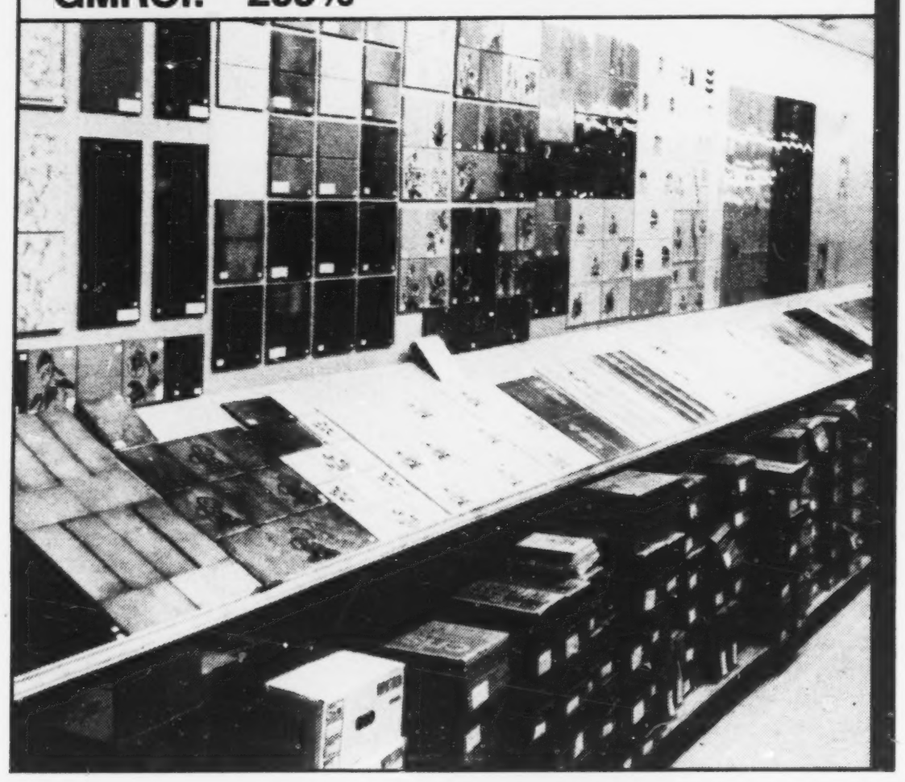
Includes Von Tobel's, Yard Birds
Source: NHCN

Sales for the home center division for 1981 are estimated at

(Continued on page 24)

CENSUS 81 FACTS AND FIGURES

WALL COVERINGS/DECO
Sales: $605 million
Annual Turns: 3.2
Gross Margin: 39%
GMROI: 209%



Generic promo push aims at expanding use of paint

NATIONAL REPORT—The paint and coatings industry launched a major generic promotional campaign during 1981 aimed at expanding product usage.

Other highlights of the year included more home center expansion into the private label area, a customer trend to "neutral" tones and the increased use of computerized paint mixers.

Developed by the National Paint & Coatings Assn., the promotional campaign is built around the theme "Picture it Painted." A four-city test of a radio jingle declared May National Paint Month. The radio ads were supported by special articles on the versatility of paint in *Good Housekeeping*, *Ladies' Home Journal* and *Woman's Day* magazines.

Beginning this month a NPCA-produced newspaper supplement will appear in Sunday editions nationwide, including the *Washington Post*. The supplement will contain several articles describing the various uses of paints and coatings.

During 1982, a two-week network radio campaign is scheduled for National Paint Month (May), supported by a *Better Homes & Gardens* article on exteriors.

More home center chains entered the private label field during 1981. Among those chains with private label paint lines are All-American, Builders Emporium, Central Hardware, Chandlers, Channel, Evans, Forest City, Handy City, Ole's, Pergament and Rickel. Louisiana-Pacific expanded its private label line to compete with Olympic's Weatherbeater and Overcoat products (*NHCN*, Feb. 16). According to L-P, sales of private label paint should account for 60% of its estimated $950,000 in 1981 paint sales.

A customer trend toward paler, "neutral" tones that require from three to eight bases is allowing dealers to reduce their ready-mix inventory (*NHCN*, Feb. 16). Most industry sources agree that earth tones are on the wane, with off-white and pastel hues being mixed more frequently.

Paint-mixing enables the retailer to reduce inventory and save both floor space and money. The increased use of computerized mixers has reportedly resulted in speedier and more accurate tinting. Manufactured by Graco Inc., Minneapolis, they are priced at $10,000 per unit.

Pergament has machines in nine of its stores and units have also been installed in All-American, Handyman and Hechinger stores, some on an experimental basis.

(Continued on page 26)

Ernst

(Continued from page 22)

$230 million by *NHCN*.

The Von Tobel's units average 45,000 sq. ft. and carry an Ernst-type merchandise mix, excluding sports equipment. The Yard Bird stores, averaging 24,000 sq. ft., are involved in various retail segments, including home centers.

The six new Ernst stores opened during fiscal 1982 are located in Bothell, Port Orchard, Richland and Silverdale, Wash.; Boise, Idaho and Cheyenne, Wyo. Ernst currently operates 45 units in Washington, 10 in Utah, 7 in Idaho, 3 in Montana (including 1 Odegaard's store), 2 each in Nevada and Wyoming and 1 in Oregon.

Parent company Pay 'n Save undertook a major management realignment earlier this year. The move combined merchandising, advertising and distribution functions for its three corporate divisions. Bill Boston, former Ernst division manager, was promoted to vice president, general manager. He oversees store operations for the entire home center division.

Ernst stores average 37,500 sq. ft. per unit. Except for seasonal and special promotional items, the chain relies on distributors rather than buying direct.

Ernst TV commercials are presented in cartoon form. A recent TV campaign had the theme, "Look Around, We're In Brown," focusing on the change in employee uniform color from yellow/orange to brown.

Handyman

SAN DIEGO—Aimed at stimulating sales and retaining its market share, Handyman this year continued its aggressive price promotions, begun in early 1980, a year of difficulty for the chain.

During 1980, the 100% DIY chain had sales of $193,513,000 and operating income of $11,925,000. Volume in 1981 is expected to reach $213 million. Net income in 1980 was down to $3,115,000, less than half of the 1979 figure.

Handyman opened five new stores during 1981, including its second Tucson, Ariz., store. The firm's Homer chain added units in the Texas cities of Lubbock, Wichita Falls, Dallas and Garland. Handyman's chain total is now 79, including 20 Homer units.

At least two additional stores are expected to open during 1982.

This year, Handyman expanded its automotive department, roughly quintupling the department's size. The "grand opening" of the new department was announced to customers in a mid-July advertising circular. The expansion included taking the 12-ft. automotive gondolas and expanding them to 64-ft. runs in approximately 60 of the company's stores. The remaining stores increased the size of the gondola run from approximately 12 ft. to 32 ft.

In expanding the department, products for changing

(Continued on page 26)

HANDYMAN		
	1981 (proj.)	1980
Units	79	74
Sales	$213 mil.	$194 mil.
% DIY	100	100

Source: *NHCN*

ENERGY SAVER

the original Water Heater OVERCOAT®

"Start your water heater working undercover for you."

- ✔ Saves money and energy
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Constructed of U.L. listed materials which meet Fire Hazard Classification 25/50 and A.S.T.M. E-84. Rated 90A by National Fire Protection Association. 1-1/2" to 3" thick R-10 maximum materials. Kits for gas or electric.

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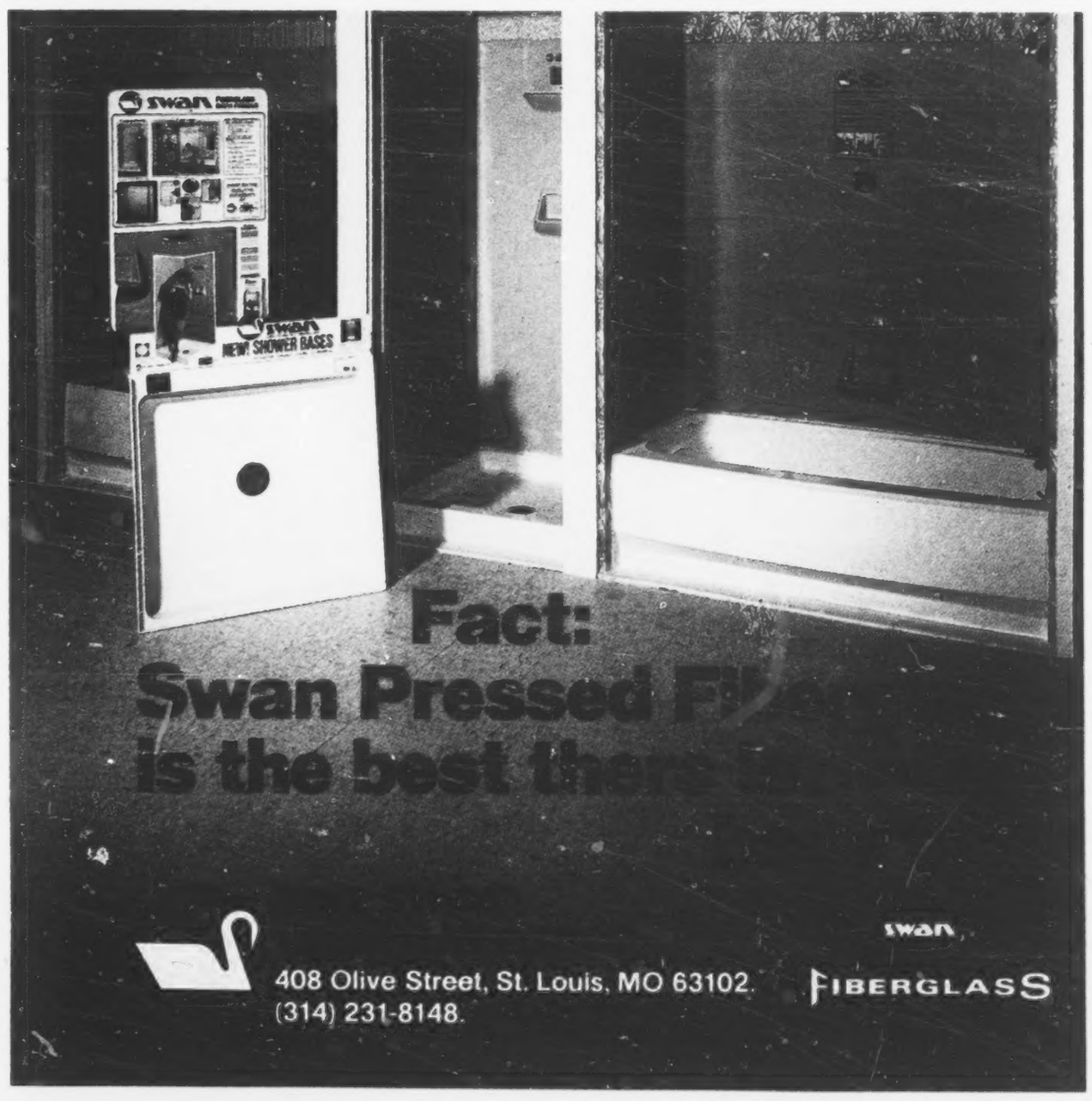
Swan pressed fiberglass tub and shower surrounds are the best because of the way they're made. Multi-ton presses mold each panel to form a sturdy, uniformly-thick panel which cannot crack or wear out. A smooth, colorful, high-gloss finish is then baked on to make Swan panels not only the strongest, but the most beautiful as well.

Swan also offers an attractive merchandising program to let your customers know just how good our products are. We're not bragging, we're just relating the facts. If you would like some more facts about Swan pressed fiberglass products, contact your distributor or write Swan today.



CENSUS 81 FACTS AND FIGURES

PAINT/SUNDRIES

Sales: $1.9 billion

Annual Turns: 3.1

Gross Margin: 39%

GMROI: 195%

Generic paint promo push

(Continued from page 24)

All-American's machine is being paid for through its private label supplier, the only brand mixed on the machine. Graco explains that a home center needs in excess of $200,000 in volume with a particular brand of paint to justify the cost of the computer.

Paint sundries continued to be a retailer's dream, consistently reaping high profits with little or no advertising (*NHCN*, Aug. 17). Natalie Baker, merchandiser for the 12-unit Chase-Perkin chain, said that the rarely promoted sundries account for 50% of the Rochester chain's paint volume. During this past summer sundries averaged between $35,000 to $40,000 a week in sales chainwide. "Sundries are the products I really make money on," said Baker.

Textured and insulating paint sales increased during 1981, although many retailers felt they had to be sold on a promotional, reduced price basis. Vapor barrier paint continued to try to break into the market during 1981. Although many retailers dismiss it as an elaborate primer, manufacturers insist the product has energy-saving properties. Customer receptivity has been minimal (*NHCN*, Feb. 2).

On the advertising front, home center operators stepped up their advertising and promotion of exterior paints and stains to compete with other merchants for a greater market share (*NHCN*, April 27). Kansas City's Affiliated Home Centers promoted paint for the first time at 10 of its contractor-oriented stores.

In the wall covering field, retailers were skimming the high end off their rolled wall covering mixes in favor of heavier medium-priced offerings (*NHCN*, Aug. 17). Wall coverings buyers reported that the hottest design trend for 1981 was the use of coordinates (*NHCN*, Sept. 14).

PEOPLE

every issue in
National Home Center News

Handyman

(Continued from page 24)

oil, cleaning and waxing were broadened and new products, such as spark plugs, car stereo, floor mats and car care kits were added.

According to the 1981 annual report of Edison Brothers Stores, St. Louis, parent company of Handyman, it would not be "realistic" to expect sales to grow at "their previous pace" until mortgage rates and new home construction also return to their earlier levels. With housing starts now at a five-year low the days of dramatic sales increases for Handyman (and the market in general) may just be fond memories.

Hechinger

LANDOVER, Md.—The first act of Hechinger's "Philadelphia Story" opened during 1981 with the debut of the first two of 15 units the chain has planned for the southeastern Philadelphia area.

The 70-year-old chain reported the highest sales figures for any quarter in the company's history during the second quarter of fiscal 1982, ending Aug. 1, 1981, a total of $57.7 million.

First-half fiscal 1982 sales were up 28% from 1980 to $109.6 million. Net earnings for first half fiscal 1982 were reported to be $4 million, up 34% from first half fiscal 1981. *NHCN* estimates that total sales for calender 1981 will reach $210 million.

HECHINGER

	1981* (proj.)	1980*
Units	33	29
Sales	$210 mil.	$170 mil.
% DIY	100	100

*Calendar year
Source: NHCN

The two new Philadelphia-area stores are located in Jenkintown and adjacent to the Oxford Valley Mall in Bucks County. The third store in the area will open in the spring, in Ridley, Delaware County.

In addition, a full-sized prototype store opened last spring in the Hechinger-owned shopping center in inner-city Washington, D.C. The unit (replacing a 20,000-sq.-ft. store) encompasses 60,00 sq. ft. of selling space and a 20,000-sq.-ft. warehouse and garden center.

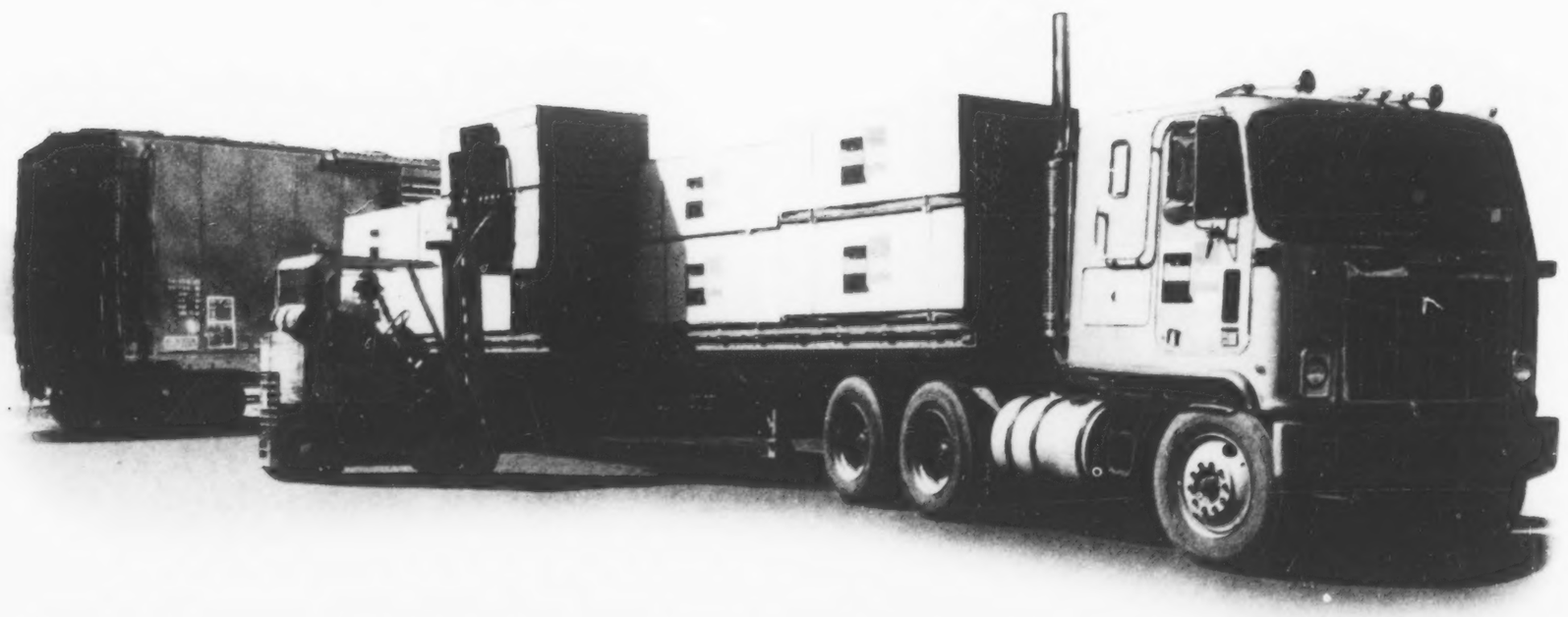
Other new Hechinger stores opened during 1981 include one at the Montgomery Mall in Bethesda, Md.; and a second Richmond, Va., store opened in August. Two new stores are planned for 1982: the third Philadelphia unit and a fourth Baltimore store, slated for a spring opening.

At the beginning of 1981 Hechinger launched an extensive print and radio advertising campaign in some of its newer markets aimed at erasing its high-priced image. The ads promised Hechinger "will not be undersold" in building and commodity materials. The ads appeared in the Lancaster, York and Harrisburg, Pa., and Virginia Beach, Va., markets.

Hechinger stockholders received a 3 for 2 stock split on May 22nd, the result of impressive sales and earnings increases for the chain's fourth quarter and fiscal year ending Jan. 31, 1981.

Long time Hechinger secretary and director Eloise K. Head retired in July.

Now
Union Camp Mixes It Up With The Best...



Mixed loads of plywood sheathing, sanded panels and specialty sidings at direct from the mill savings to you!

New "303" Sidings Add A New Dimension . . . The addition of "303" sidings, to our already broad selection of APA grade marked sheathing and sanded panels, makes Union Camp one of the few major plywood manufacturers in the south producing a complete line of Southern Pine plywood products. And now we're offering them in highly mixed loads shipped directly to you from the mill. Ideal assortments, at straight load savings.

A Single Source Of Supply . . . From One Quality Controlled Location . . . Our centralized facility at Chapman, Alabama, processes a wide product variety, including CD, CC and other APA performance-rated panels; sanded panels in "A" and "B" grades; Magic-Kote® Class I Plyform . . . and now specialty sidings, including rough sawn Texture 1-11 and Reverse Board and Batten. This centralized production means a quality control supervision that is your assurance of consistent satisfaction sheet after sheet, shipment after shipment.

Union Camp For Supply And Service You Can Depend On . . . At the same time, our new Thorsby veneer plant has added extra capacity to make sure we meet the growing demand for our products. What's more, the entire operation is supported by 1.7 million acres of company owned southern forestland which provide an unfaltering supply of raw materials. At Union Camp we're ready with service, selection, delivery and price. Find out for yourself, call us today.

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CENSUS 81 FACTS AND FIGURES

Scotty's

WINTER HAVEN, Fla.—Scotty's posted its fifth straight year of record sales and earnings in its 1981 fiscal year ended June 27.

The 83-store chain saw earnings rise 5% to $11,081,000 (3.98% of sales) on a sales gain of 20% to $294,433,000. Sales for the first eight weeks of fiscal 1982 totaled $43,459,317, up 18% from the same period of fiscal 1981. At Scotty's new Palm Bay, Fla., store, opened in March, a three-day grand opening promotion produced a record volume of $113,186.

On the heels of the chain's healthy sales increases, Scotty's officials are now contemplating store expansion into Alabama and Georgia. The chain opened seven new stores during calendar 1981 and is planning eight openings.

SCOTTY'S

	1981	1980
Units	87	80
Sales*	$294 mil.	$250 mil.
% DIY	70	68

*(Fiscal year ending 6/30)
Source: NHCN

Chain officials dedicated a $2 million, 206,000 sq. ft. lumber distribution center at its headquarters in June. With an average height of 33 ft., the distribution center has storage capacity of 6.8 million cubic feet. When totally stocked, the building holds more than 3.7 million linear feet of lumber.

Scotty's, which stocks 8,600 sku's, has dropped chain saws from its merchandise categories. Average selling area per store is 36,000 sq. ft.

The chain utilizes 50 LaBelle projectors as well as 50 other audiovisual devices. Scotty's uses computers in all aspects of processing and has substantially increased computer utilization during the past year.

The chain spends 3% of total sales on advertising, approximately $8.8 million during fiscal 1981. It allocated this advertising expense as follows: 55% newspapers, 40% TV and 5% radio.

Fifty per cent of Scotty's merchandise is planogrammed.

Rickel

SOUTH PLAINFIELD, N.J.—Rickel Home Centers, a division of Supermarkets General, opened its 31st store, located in the Philadelphia area, during the third quarter of 1981. This was the chain's first new unit for the year, although three new stores were planned as well as two renovations. Rickel's 1981 sales are estimated by *NHCN* to be $194 million.

Last year, Rickel's sales grew to $163.7 million, an increase of 13.1%. Same store sales increased 3.2%. However, operating profits were down 25% from 1979 figures.

First-half 1981 sales were up by 20% to $96,135,000, the result, according to Rickel, of a "successful promotional approach."

Rickel reports that earnings for the first six months of 1981 are ahead of last year's level. Sales per square foot of selling space rose to $116 in 1980 from $78 six years ago.

In the new stores and in other recently renovated units, aisles have been widened to accommodate more customer traffic and allow for more efficient display and layout. Unitized handling of products, such as building boards and fertilizer, has been increased, resulting in labor savings and reduced merchandise damage.

All new and renovated Rickel stores will conform to the chain's updated prototype of 45,000 sq. ft., downsized from the standard 100,000-sq.-ft. unit size. One Rickel store in Monsey, N.Y., has leased approximately 10,000 sq. ft. to a clothing discounter.

RICKEL

	1981 (proj.)	1980
Units	31	30
Sales	$194 mil.	$164 mil.
% DIY	100	100

Source: NHCN

The plan included a major renovation which also transferred 11,523 sq. ft. to an adjacent Pathmark Supermarket and provided almost 6,000 sq. ft. for three additional stores. Rickel and Pathmark are both owned by Supermarkets General.

HARDWARE

Sales: $2.4 billion

Annual Turns: 2.8

Gross Margin: 35%

GMROI: 134%

Nature plays

(Continued from page 22)

homes. There was a somber note of course—new home starts reached an all-time low.

Conversely, some of the less cheerful developments this year also had a more upbeat side.

In outdoor power, for example, while lawnmower shipments were down about 5% from last year and snow blowers were clogging warehouses throughout the country, the industry was successful in modifying a safety requirement that could have added $70 to the retail cost of a walk-behind mower. Instead the Congress adopted regulations that give manufacturers greater latitude in complying with the safety standard, which could allow manufacturers to raise retail prices as little as $15.

While sprinkler sales were off slightly in Florida, the big news was that giant inroads were being made outside the Sunbelt.

Although electric string trimmer sales were leveling, gas units were becoming more popular and at one major chain —217-store Lowe's—even outsold the electric variety.

Introducing Towne

The Natural Choice for the Natural Look

Here's the natural way to offer your customers the high quality brick and stone look they're looking for.

Towne 'N Country® decorative brick and stone are exact reproductions of traditional American bricks and stones gathered from nature's most beautiful settings. All the nicks, all the crevices and all the character are all here for a look that's truly authentic. Plus, there's special header brick ends for creating the most authentic brick-work patterns and designs.

Along with the header and standard flat brick are five additional shapes just for working around corners—the kind of shapes your customers want and need to do a really professional looking job.

Completing the authentic, professional look are H. B. Fuller adhesive mortar (in a choice of four decorator colors) and H. B. Fuller one-coat silicone sealer in an easy-to-apply pump spray bottle. Add everything up and you get the look that keeps your register ringing—the natural look that today's customer wants.

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CENSUS 81 FACTS AND FIGURES

PANELING/MOLDING
Sales: $1.65 billion
Annual Turns: 3.7
Gross Margin: 36%
GMROI: 208%

Customer awareness boosts adhesive biz

NATIONAL REPORT—Customer awareness of the potential use of adhesives, caulks, sealants and weather stripping as energy-saving products came to the fore in 1981, with home centers the beneficiaries of increased sales.

Retailers are also reporting that because consumers are becoming more energy conscious, they are trading up to the higher-priced, more effective adhesives and foam insulation, which are fast turning, high margin products (*NHCN*, Feb. 16).

"Local power companies, do-it-yourself shows, literature and packaging go aggressively after the consumer as far as energy is concerned, and I feel we do 50% more business in caulking because of energy," said Steve Stookesberry, vice president for the three-unit Economy Lumber, Denver.

Nick Jensen, buyer for the 18-unit Affiliated Home Centers, Kansas City, Mo., agreed wholeheartedly with Stookesberry, although he noted that a campaign of customer education was also essential to selling these products.

"A big percentage of the caulking we sell is for energy purposes," he explained. "But although it's the least expensive of the energy-savers, it's often the last thing people think about. They think of storm doors, thermostats and insulation first."

By and large, adhesives have become year-round sales items, and the energy angle has been a merchandising godsend for many home center stores.

At the 17-unit Stambaugh-Thompson chain, Youngstown, Ohio, weather stripping accounted for 15% to 20% of the adhesives' department sales, according to general merchandise manager Don Senne.

Acrylic and silicone caulks, despite their higher price tags, seem to be replacing lower-

(Continued on page 30)

Central Hardware —

BRIDGETON, Mo.—Slower sales growth and store expansion marked 1981 for 30-unit Central Hardware.

The chain is projected to generate $180 million-plus in sales this year, which would only be an 8% increase over 1980 revenues of $165 million. President Stanley Cohen attributed the sluggish volume growth to the poor economy in the chain's six markets. "For the first time in 40 years of retailing, I don't know what will change [the economic] conditions," he said earlier this year.

Central, in fact, concentrated on solidifying its market strengths this year by opening a new unit last March in Columbus, Ohio, and an "as is" bargain outlet in St. Louis last April. Central now has four stores in Columbus and nine in St. Louis, its home base.

Future expansion, particularly into the Kansas City, Mo., market, may also be stalling. While he announced last October that Central would construct two 55,000-sq.-ft. units in Overland Park, Kan. (on the Kansas-Missouri border), Cohen recently told *NHCN* that zoning restrictions have become "difficult," and that the stores' openings may be further delayed past the mid-1982 target.

CENTRAL HARDWARE		
	1981 (proj.)	1980
Units	30	28
Sales	$180 mil.	$165 mil.
% DIY	100	100

Source: NHCN

Despite the economy and pressure from competition, Central Hardware will continue to use the basic merchandising formula that has proven successful for it in the past: 45,000- 60,000-sq.-ft. stores housing 40,000 sku's of lumber, building materials, hardware, lawn and garden, sporting goods and major appliances.

Store officials conceded that Central's product mix in certain markets had to be fine-tuned to comply more closely to customer needs, however.

"We made some mistakes in Indianapolis and Memphis," said Central's Memphis district manager Darrell Vancil, "We didn't pay strict enough attention to climatic and regional differences in the markets."

The chain also showed a willingness to experiment with the products it carried. Last January, Central made a special purchase of more than 6,000 name-brand dress shirts, regularly priced from $17-$20, and sold them for $8.88 to draw customers. This was a one-time promotion.

In August, Central replaced its ailing leased automotives department operator and supplier, Ameron, with an expanded 2,000-sku program from Witte Hardware, an independent wholesale operation owned by the chain.

Experiments such as these may be less frequent in 1982, though. Cohen said he would be running his business "with extreme conservatism" next year.

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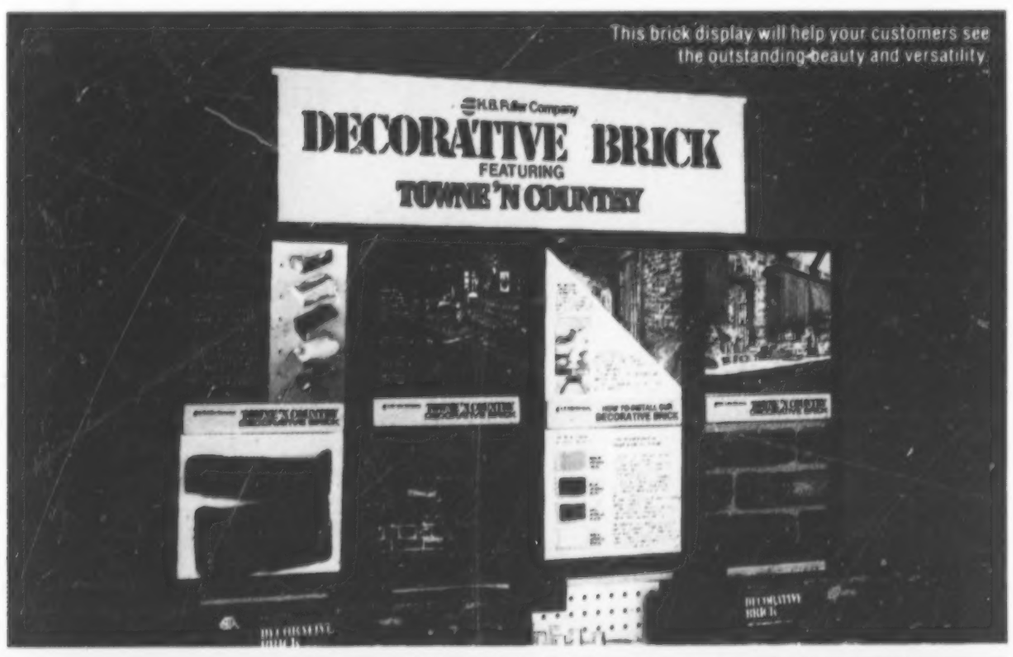
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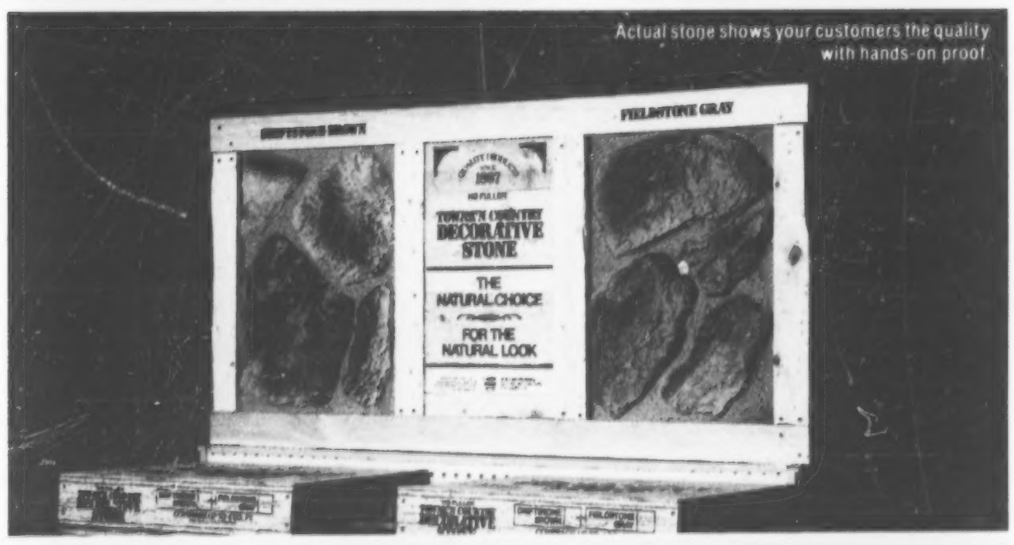
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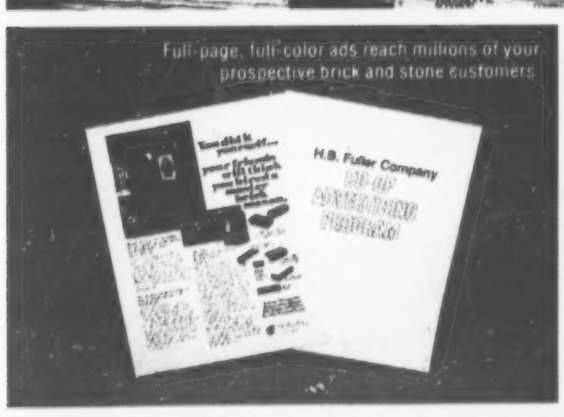

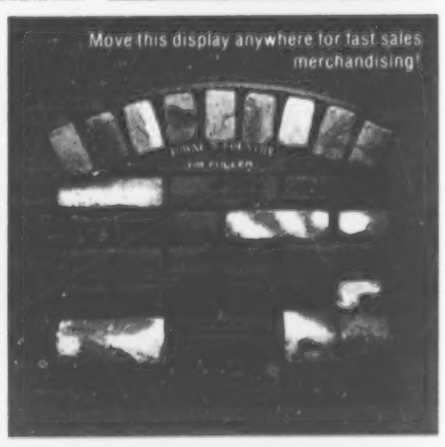

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CENSUS 81 FACTS AND FIGURES

Pay 'N Pack

KENT, Wash.—This 84-unit chain operating in 15 states will experience a nearly 20% sales increase during fiscal 1982, according to *NHCN* estimates.

Fiscal 1982 sales should reach $180 million, up from a fiscal 1981 total of $151.7 million. First-quarter fiscal 1982 sales were reported by the company to total $41.5 million.

The chain, which operated in 69 cities at the end of fiscal 1981, will open five new stores during fiscal 1982 in Medford and Pendelton, Ore.; Carson City, Nev.; a second store in Wichita, Kan., and a third store in Sacramento, Calif. Pay 'N Pak opened six new stores during fiscal 1981.

The 98% DIY chain buys 80% of its merchandise directly from manufacturers rather than through wholesalers.

PAY 'N PAK

	1981*	1980*
Units	89	84
Sales	$180	$151.7
% DIY	98	98

*Calendar year
Source: NHCN

The chain's major advertising tool is a full-color, preprinted tabloid issued four times per year in over 70 newspapers. Approximately 5½ million of the tabloids are printed annually.

The approximate contribution, as a percentage of Pay 'N Pak's net sales, of each of its major product categories during fiscal 1981 was as follows: 34% building materials, 32% electrical, 24% plumbing, 5% automotive, 5% sporting goods.

Gondola heights were raised 1 ft. in the chain's smaller units to get more merchandise on the sales floor. Stores were painted with warmer, rust colors, switching from bright yellow and blue shades. The chain also added new fabric graphics with silk screens to help depict Pay 'N Pak departments. The cost of all these cosmetic changes was estimated at $400,000.

The chain's larger units average 21,000 sq. ft.

Ole's

PASADENA, Calif.—Although failing in a bid to take over some of the retail space in the shuttered Gold Circle discount stores in northern California, Ole's Home Centers continued its intensive expansion into new markets.

The chain opened three new units, including a store in Stockton, Calif., the fourth in the chain's northern California group and 32 in total.

Ole's 1981 sales are estimated at $160 million by *NHCN*, up from an estimated $137.5 million in 1980.

The 100% DIY chain will open four new stores in 1982:

OLE'S HOME CENTERS

	1981 (proj.)	1980
Units	32	29
Sales	$160 mil.	$137.5 mil.
% DIY	100	100

Source: NHCN

one in Oxnard, northwest of Los Angeles; a unit in San Leanardo, south of Oakland, and two stores in the Los Angeles Metropolitan Area.

Getting into the seven former Gold Circle units in northern California would have made Ole's a dominant force in that area, but it would have been at a cost of opening much smaller units than the chain is used to. Only 30,000 sq. ft. would have been available at the former Gold Circle locations, which would have been shared with Zodys discount store.

A typical Ole's unit exceeds 40,000 sq. ft. and a 43,000-sq.-ft. prototype is the company's current expansion vehicle.

The prototype incorporates 84-in. gondolas, replacing the 61-in. fixtures Ole's uses in many of its older stores. The prototype allows Ole's to build smaller stores while fitting the same amount of merchandise into less square footage. The prototype carries approximately 28,00 sku's.

Boise Cascade

BOISE, Idaho—With the home building slump adversely impacting sales to builders in the last two years, Boise Cascade's 96 building materials centers have seen stagnant sales.

The chain's sales and business mix are expected to rival 1980 activity when volume reached $325.7 million and consumer sales were 47% of that volume.

Boise Cascade has sought to draw DIY traffic into its stores through displays and special

(Continued on page 37)

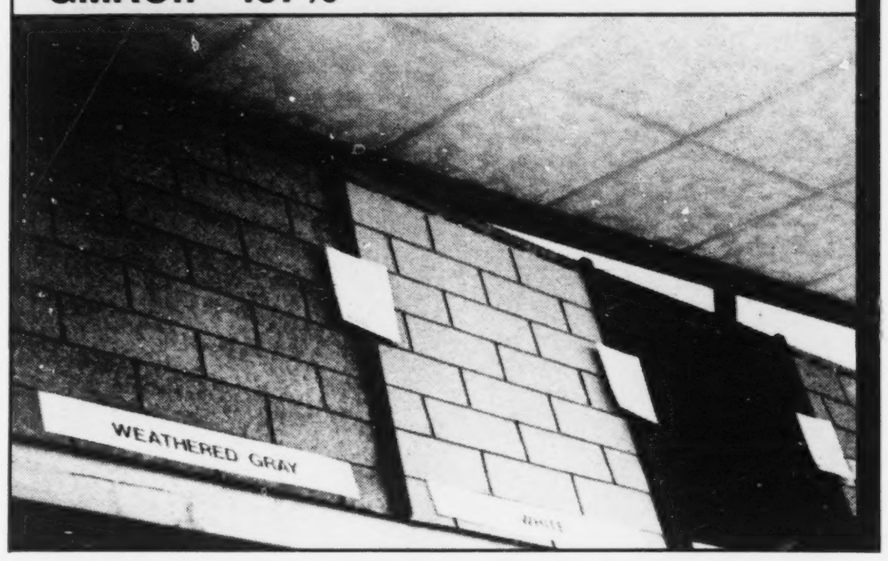
ROOFING/SIDING

Sales: $1.5 billion

Annual Turns: 5.7

Gross Margin: 26%

GMROI: 197%



Adhesives awareness

(Continued from page 29)

priced oil-based caulking primarily because of their longer life span and flexibility of use.

In addition, felt and plastic weather stripping appeared to be losing ground this year to synthetic materials used in door jambs, and threshold sweeps.

Senne said the synthetics cost about four times that of felt, but have a life expectancy of "10 times the cheaper products." He added that his synthetics products produced "excellent" turns.

Other home center dealers have found that, apart from energy promotion, adhesives sold best when cross-merchandised with products on which the adhesives would be used

"Cross-merchandising increases your inventory, but adhesives are high margin items —33% to 45%," said Pierce Williams, president of the two-unit Williams Home Center, Niles, Mich. "Cross-merchandising also reminds customers to buy and salespersons to sell such items. Often, the major purchase is on their minds, and they forget about the accessories."

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Chains stick with stoves despite carryover problems

NATIONAL REPORT—Substantial 1980 carryover, price footballing and intensified competition made wood- and coal-burning stoves precarious product lines for home centers to carry in 1981.

However, while stove sales for the winter of 1980-81 slumped 15%-30%, and mass merchants threaten to flood the market with their 1980 overstock at vastly reduced prices (*NHCN*, Aug. 3), retailers remain committed to the stoves and are looking forward to considerably increased sales of the new catalytic stove models.

In fact, at this year's Wood Heating Alliance show in New Orleans, specialty stove dealers expressed trepidation about the emergence of home centers as major retail stove outlets.

"Don't ignore the home center or mass merchandiser," warned Bob Gaylord, vp-sales for Franklin Industries, Warwick, R.I., which at that time was the sole manufacturer of catalytic stoves (*NHCN*, March 16).

Catalytic wood-burning stoves, with energy-efficiency of 80%-90% are expected to "revolutionize the stove business," according to one Midwest home center buyer, who echoed the enthusiasm of several others in the industry (*NHCN*, Feb. 2).

An important selling feature of the catalytic stoves was minimum creosote buildup in the stove's chimney, reducing fire hazards and maintenance. Plus, the units emit no smoke or odor.

The one drawback to the stoves is their price, which can be as high as $1,200, with one manufacturing source indicating that the cost would "more likely go up than come down," in the future.

"The price points are a little scary," said Harry Gorban, general merchandise manager for Thrifty's, New Haven, Conn. "When you go beyond a certain price point—like $500—the product has to have customer recognition."

Catalytics will be competing this winter with wood/coal combo stove units, which showed strong sales growth last winter (*NHCN*, May 11). The relative availability of wood and coal, and the options these combo units give the customer have made the products more attractive, despite their $600 average retail price.

"Wood and coal are both going to be expensive," said Gorban. "This will add to the confusion, so customers will seek out options."

With well over six million homes burning wood, according to the Wood Heating Alliance (*NHCN*, March 16), the increase in wood stove sales has brought the Consumer Product Safety Commission into the pic-

(Continued on page 39)

Boise Cascade

(Continued from page 30)

promotions, such as how-to houses and shows.

The chain held its third annual how-to home improvement show in Boise earlier this month and had hoped to draw more than the 24,000 consumers who came to the 1980 event. More than 70 manufacturers demonstrated their products, gave out special discount coupons and conducted special DIY classes.

"The purpose of the show is to provide information to enable the average do-it-yourselfer to accomplish his or her home improvement projects in a more efficient and less costly manner," said Mike Galloway, the show's coordinator.

BOISE CASCADE

	1981	1980
Units	96	103
Sales	$325 mil.	$325.7 mil.
% DIY	47	47

Source: NHCN

The company continued a program to close stores not up to acceptable profit levels. Units closed thus far in 1981 include Fort Smith and Lowell, Ark., Delta, Colo. and Hillsboro, Ore. Boise Cascade also replaced its Madera, Calif., outlet.

Forest City

CLEVELAND—Trying to rebound from a disastrous earnings year in 1980, 21-unit Forest City is looking to expand its horizons in Chicago and solidify its market positions in Cleveland and Detroit.

Retail president Edward Seymour, who joined the company in September 1980, reported that the chain would have sales of $118 million in 1981, a 9.3% increase over last year's $108 million.

The company's retail division suffered an earnings slide of $2,649,000 in 1980, however, and is trying to right itself through aggressive promotions, increased advertising and a conscious effort to revive its home center image.

This has been particularly true in Chicago, where plumbing, paint, electricals and other higher-markup products are displayed in the front of Forest City's newest unit in Brickyard, with housewares and seasonals used to increase customer traffic.

FOREST CITY

	1981 (proj.)	1980
Units	21	21
Sales	$118 mil.	$108 mil.
% DIY	96	95

Source: NHCN

Seymour said the chain would be using the Brickyard unit as a prototype of sorts, as it begins a major expansion effort that reportedly will result in Forest City having 10-12 stores in the Windy City. It currently has four.

The automotives departments in the Chicago stores, which carry about 1,400 sku's, have been successful for the chain, with sales up between 180% and 200%. Forest City officials installed its automotives program in its Cleveland and Detroit stores late last year.

In all its markets, Forest City will continue to carry an estimated 30,000 sku's in stores that average 65,000 sq. ft.

Seymour noted that the chain has greatly expanded its floor coverings department, and has been experimenting with or testing electronics and home security products this year.

He also indicated that the stores would reduce the size of their heating and fireplace shops.

The stores have been "fact tagging" such items as ceiling fans, weather stripping and kerosene heaters as energy saving products.

Forest City is a force in each of its markets primarily because of its advertising, which totaled 3.2% of sales, or $3.78 million, this year. Five per cent goes to radio, 30% to newspapers, 50% to circulars and another 5% to direct mail.

Whether the company will be able to snap out of its net profit doldrums remains to be seen, but Seymour is hopeful that things are changing for the better. He indicated to *NHCN* recently that the eight Detroit stores would definitely be showing a profit this year.

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Pergament

MELVILLE, N.Y.—Pergament, with 37 stores in New York and New Jersey, broke the $100 million sales mark this year.

The firm, which evolved from a paint background and has traditionally been decorator oriented, also placed a new emphasis on lumber, increasing lumber departments by as much as 40% at 27 of its stores.

Warehouse space was more than doubled to a total of 200,000 sq. ft. Although the three store openings planned for 1982 will be in Westchester and Long Island, the increased warehouse capability will allow wider expansion. Pergament is looking for real estate in Pennsylvania and Maryland.

PERGAMENT

	1981	1980
Units	37	36
Sales	$105 mil.	$95 mil.
% DIY	100	100

Source: NHCN

A Pergament store carries about 37,000 sku's and averages about 20,000 sq. ft. in size. The decorator focus continues, with 1,000 to 1,500 sku's of wall coverings. Patterns that are featured vary from store to store, aimed at customer tastes in various locations.

A new computer system expected to be in most units by year end should cut down pricing errors, since cashiers will punch in only an sku number.

West Building Material Centers

ATLANTA—1981 has been a year of retrenchment for West Building Material Centers.

Sales for the 68-unit chain managed to remain level with last year, when West rang in an estimated $150 million. There was no store expansion.

The first half of 1981 was marked by drastic cutbacks in advertising spending, inventory and personnel levels. In short, Charles West, owner and chairman of the board, has played the same recessionary card game he played in 1974 (*NHCN*, June 22): cutback and conquor.

A company insider informed *NHCN* that thanks to sharp spending cuts in the first part of the year, West "freed up $18 million by April." West reportedly invested it promptly in Government CD's at a return rate of 18%.

"That's much more than anyone can earn in this business today," the source said. "With

(Continued on page 42)

Stove woes

(Continued from page 37)

ture, which issued warnings on proper installation, use and inspection of stoves and fireplaces in an effort to caution people about creating unexpected safety hazards while trying to improve their products' efficiency.

While catalytics and combo units will most probably generate the most excitement this winter, sales of stoves that burn only wood or coal will continue to play a significant role in home centers' stove programs.

In markets where one resource is scarcer than the other, the stove burning the more abundant fuel will continue to dominate (*NHCN*, May 11).

Shorter studs, boards are fastest movers in lumber

NATIONAL REPORT—Behold the mini stud.

Although few home center lumber buyers actually refer to them as such, reports from across the country indicate that 3 ft. to 7 ft. 2x3's and 2x4's, as well as 4 ft. and 6 ft. 1-in. boards, are among the fastest moving items in the lumber department.

At Handy City, the 53-unit Atlanta-based chain, precut 4-ft. boards are reportedly turning faster than longer lengths.

In the Minneapolis market, retail lumber buyers are similarly finding 1x4 and 1x6 #3 Common boards in 4-ft. and 6-ft. lengths are the best sellers, along with 2x4 S-dry studs in 6-ft. and 92½-in. lengths.

In southern California, both Angels Home Centers, with 15 stores, and Ole's, with 55 stores, regularly stock 2x4 green hem-fir, 2x2 and 2x3 Douglas fir, and 1x2 ripped hem-fir, in lengths as short as 6 ft.

While home center dealers have long appreciated the advantages, and the selling power, of easy-to-handle, precut boards, dimension lumber and plywood, the volume of sales of lumber under 8 ft. in length has generally caught the forest products industry by surprise.

With the devastating fall off in new home construction, the "over the shoulder" trade (as the industry still likes to call the DIY market) has suddenly emerged in the industry's eyes as a major market.

Five years ago, observed Mike Coleman, lumber buyer for 31-unit Busy Beaver, Blawnox, Pa., most dealers would look at a carload of random length lumber that arrived with a high proportion of 8-ft. and 10-ft. studs and scoff, "What good are they?"

Today, he says, those lengths are the best-selling lumber items a home center carries.

The trend toward even shorter lengths of lumber, however, apparently reflects an emerging sub market among

(Continued on page 51)

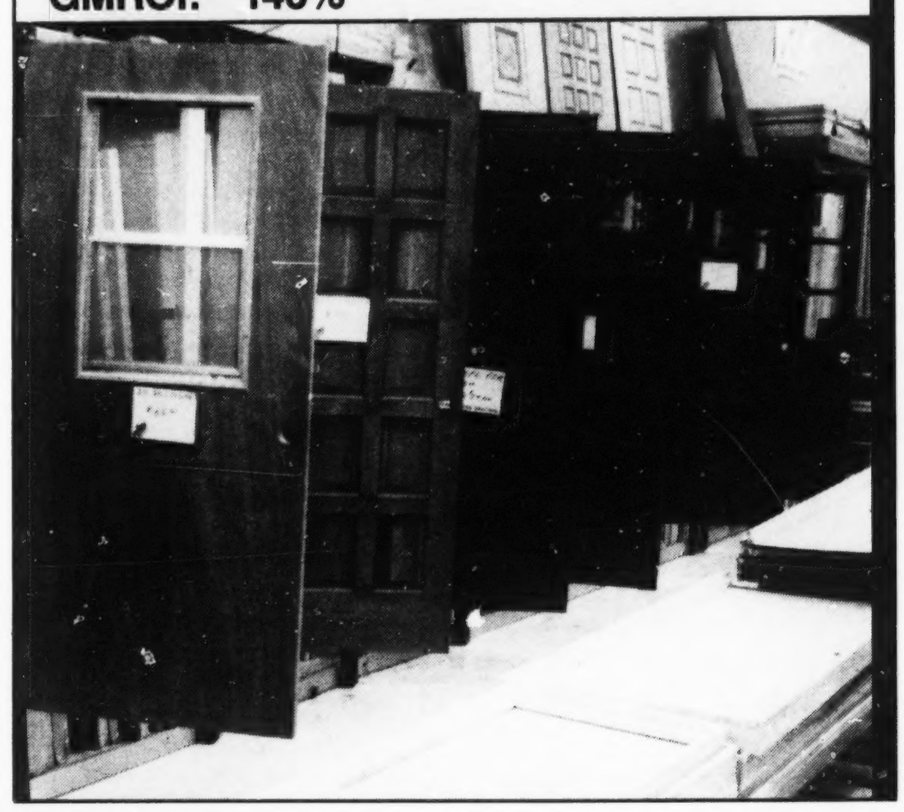
MILLWORK

Sales: $1.9 billion

Annual Turns: 3.2

Gross Margin: 33%

GMROI: 146%



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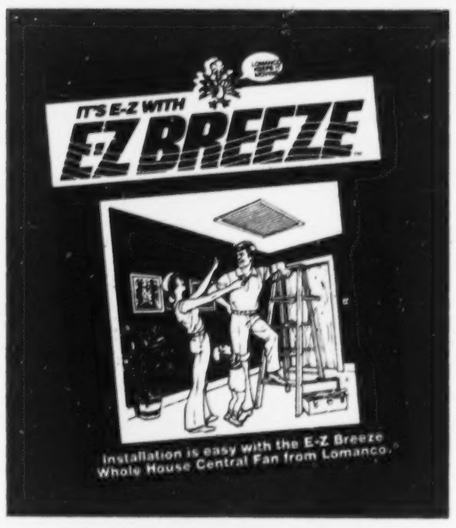
Lomanco stands for quality—the kind of quality that means you never have to worry about returns, callbacks or service problems.



Take it E-Z with E-Z Breeze. We've got a helpful new brochure for your customers that explains in seven easy steps how to install Lomanco's E-Z Breeze. Call us today for free copies.

The Lomanco E-Z Breeze System requires E-Z Breeze Shutters. Exhaust vents may also be needed if roof is not already equipped with them. These products are sold separately.

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CENSUS 81 FACTS AND FIGURES

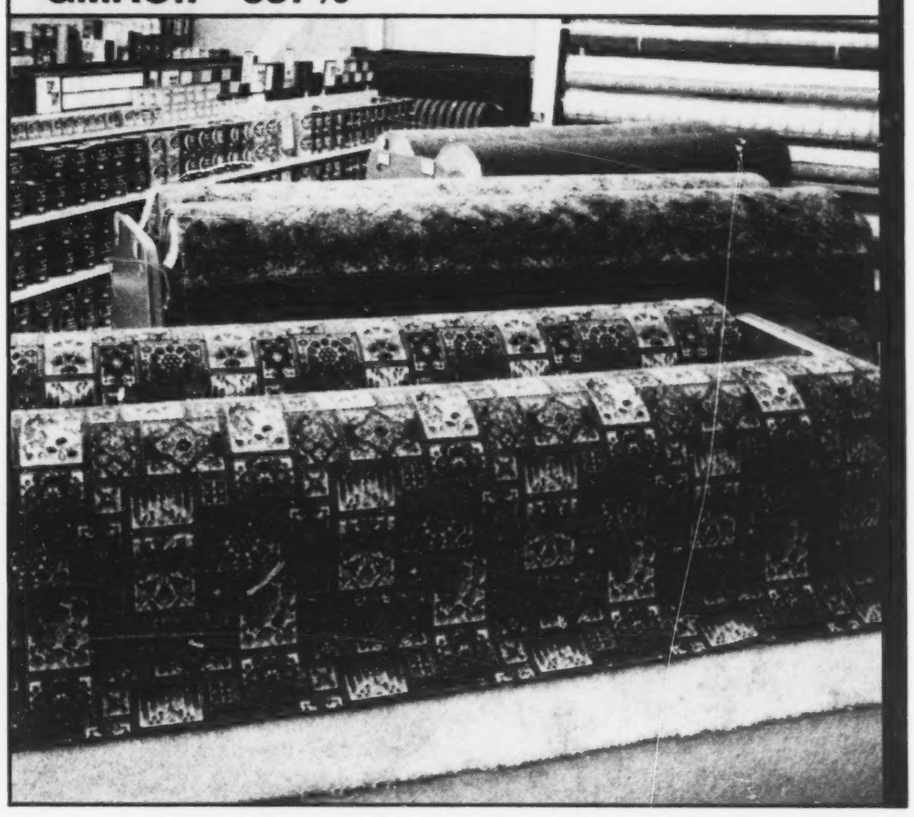
FLOOR COVERING

Sales: $715 million

Annual Turns: 5.6

Gross Margin: 39%

GMROI: 337%



Redecorating jobs cover 74% of flooring volume

NATIONAL REPORT—Slow housing starts probably quickened home center flooring sales this year.

In 1975, 70% of floor coverings sold were for new home starts or total redecoration jobs. Just six years later that statistic has flipped dramatically, with modest redecorating jobs of one or two rooms accounting for 74% of flooring sales.

"Home centers are in a good position to take advantage of that change," said Edward S. Korczak, executive director of Chicago's Retail Floor Covering Institute, which supplied the statistics.

"The smaller job is more likely to be tackled by a do-it-yourselfer," he said. "For home center, there's a whole new market."

Indeed, 30% of flooring shoppers said they would visit a home center before making a buying decision, according to another industry survey. Almost 13% of floor-covering purchases are made in home centers, according to the same report.

Five years ago West Building Materials, Atlanta, installed a carpet department in several of its stores. Today there are carpet departments in all 69 West stores and they account for about $5 million in sales, according to merchandiser Bill Harris, who predicts that figure will double in two years.

Sheet vinyl sales were reportedly strong, up 15% to 20% over last year, at 217-store Lowe's, with the growth mostly in the $4.99 range. Rickel, South Plainfield, N.J., also had success at about the same price point.

"I find that higher priced materials don't sell particularly well," said Milton Schottenfeld, president of Dean Floor Covering, which operates the flooring departments in 21 Rickel stores.

Over the past 18 months, Rickel sheet vinyl sales have boomed 150%, according to Schottenfeld, because Dean's

(Continued on page 46)

West Building Material Centers

(Continued from page 39)

no risk."

West's austerity program, however, seems to have severely affected its home market units here, where 12 units form a 35-mile ring around the city.

One Atlanta store manager projected a $3 million sales loss from last year when his unit volume hit the $4 million mark.

Nevertheless, the West management team remains confident the chain will once again survive the economic slump and thrive when the turnaround finally comes.

WEST BUILDING MATERIAL CENTERS

	1981 (proj.)	1980
Units	68	68
Sales	$150 mil.	$150 mil.
% DIY	75	75

Source: NHCN

John Breedlove, senior vice president, purchasing, reported an upswing in sales since June, when the chain resumed a regular advertising schedule.

He predicted the chain, which has not increased its total number of stores since 1973, will add three new units in 1982.

Diamond

NORTH HIGHLANDS, Calif.—For the second year in a row, the home building slump will impact Diamond International's retail business.

Last year, Diamond's retail group, which does nearly 70% of its business with builders, saw sales decline 20% to $285 million. With little change in the housing situation this year, group officials expect similar sales for 1981.

Flat sales have not stopped the chain from acquiring additional contractor-oriented facilities, especially in the Northwest. What the figures apparently have done, however, is to alter Diamond's acquisition strategy slightly. The chain is now considering acquiring a retail-oriented chain to complement its solid core of contractor units.

DIAMOND

	1981 (proj.)	1980
Units	125	123
Sales	$280 mil.	$285 mil.
% DIY	28	28

Source: NHCN

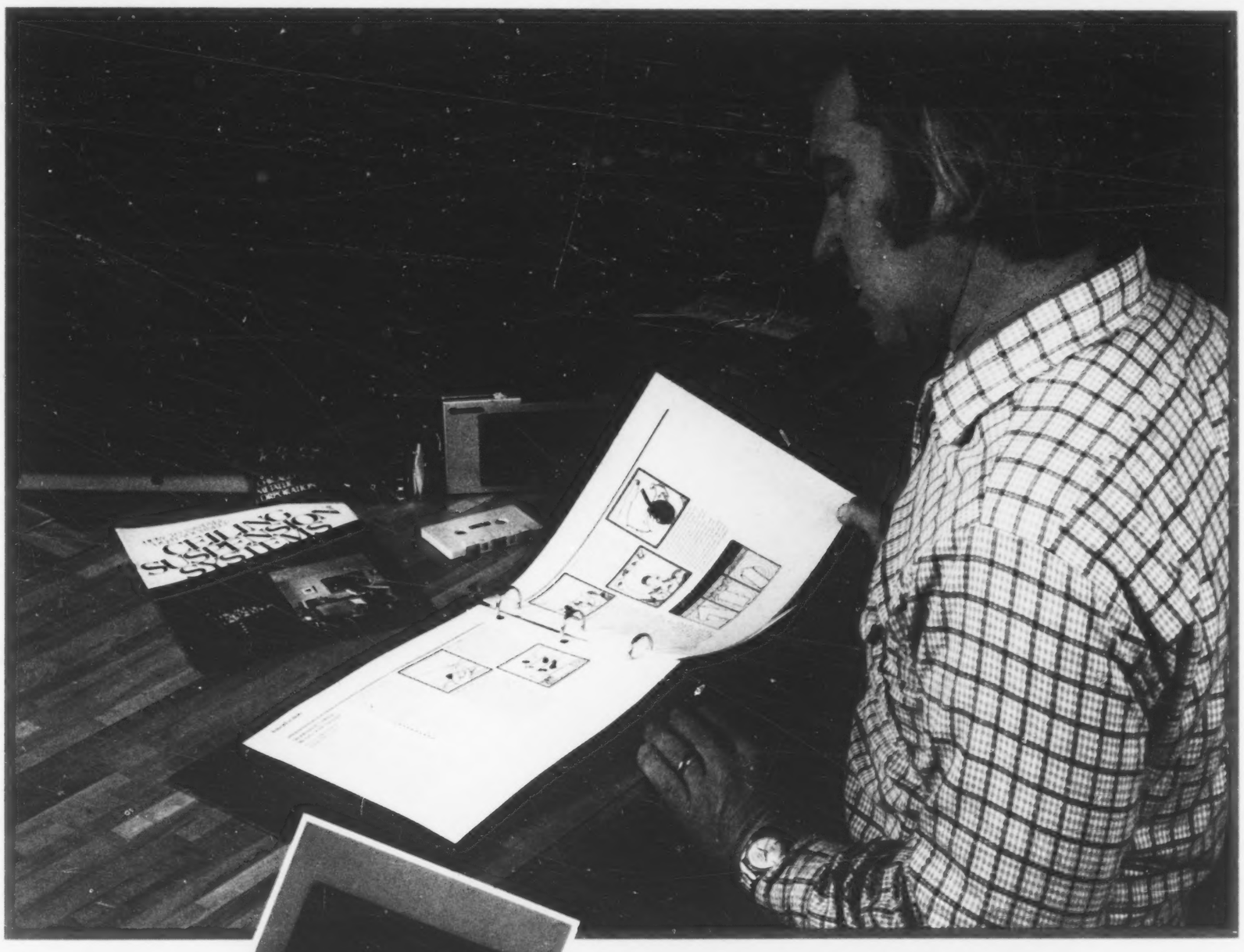
"Our vulnerability in the builder area is obvious," said Richard D. Cushman, group vice president. "When we look at the overall Diamond picture, we see we can reduce some of the troughs with different types of facilities."

It also wants to get a better grasp on its retail business.

Cushman said Diamond would consider a retail acquisition in any part of the country, but early on, it was looking in southern California for such a deal.

Searching in southern California is not new to Diamond which announced earlier this year that it wanted to expand its traditional business southward and/or westward from its southern-most California facil-

(Continued on page 45)



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CENSUS 81 FACTS AND FIGURES

Hand, power tool market remains a mixed bag

NATIONAL REPORT—Hand and power tools remain two of the more paradoxical product categories for home centers in 1981.

Customer preference for the high and low ends, domestic and imported brand names, and bench and stationary equipment continues to oscillate with retailers trying to find the right mix without financially committing themselves too heavily to any one product line.

Over the past two years, *NHCN* has frequently reported on the customer trend toward higher-end tool merchandise. There were even strong indications that consumers were willing to plunk down $350-$500 for a stationary radial arm saw or drill press in sufficient numbers to warrant home centers carrying the products.

Last year, however, preferences shifted. Bench tools sales were being augmented by higher-turning, inexpensive accessories; stationary tool sales were immobilized, and consumers began seriously looking into cheaper imported and portable power equipment. The feasibility of higher-end tool merchandising was brought into question.

In 1981, all bets are off. The direction the power and hand tool industries are headed, and where they will take home centers, is as confusing as ever.

For example, bench tools have become one of the hottest categories for several large chains, with stationary tool sales lagging badly. Much of this has to do with the comparable prices of the two lines, though consumer perception also comes into play.

As one buyer for a large Southern chain—which carries eight bench tool sku's—put it recently, "consumers are basically convinced that bench tools work almost as effectively as stationary models, and are cheaper" (*NHCN*, Aug. 17).

It should also be interesting to track the sales of Benchmark's newly revised line of Shopcraft bench tool products. Benchmark was formerly the tool division of McGraw-Edison, Jefferson City, Mo., which this year broke away from the parent company, and reaimed its entire marketing toward the DIY customer.

Cheaper, off-brand hand and portable power tools have also made inroads into markets that, in the past, had been the exclusive territory of name-brand products (*NHCN*, Aug. 17).

Retailers expressed satisfaction with the merchandising programs being offered by the nationally known tool manufacturers, but insisted that customers were shopping price more, with quality of off-brand products improving noticeably.

"A consumer's purchase comes down to value and confidence in the product, regardless of the brand name," said one southern California home center retailer. She admitted that her chain was still going primarily with name-brand tools, but remarked that certain tool products were of equal quality and could cost 30% less than the better-known merchandise. "Brand name tools will become less important," she said.

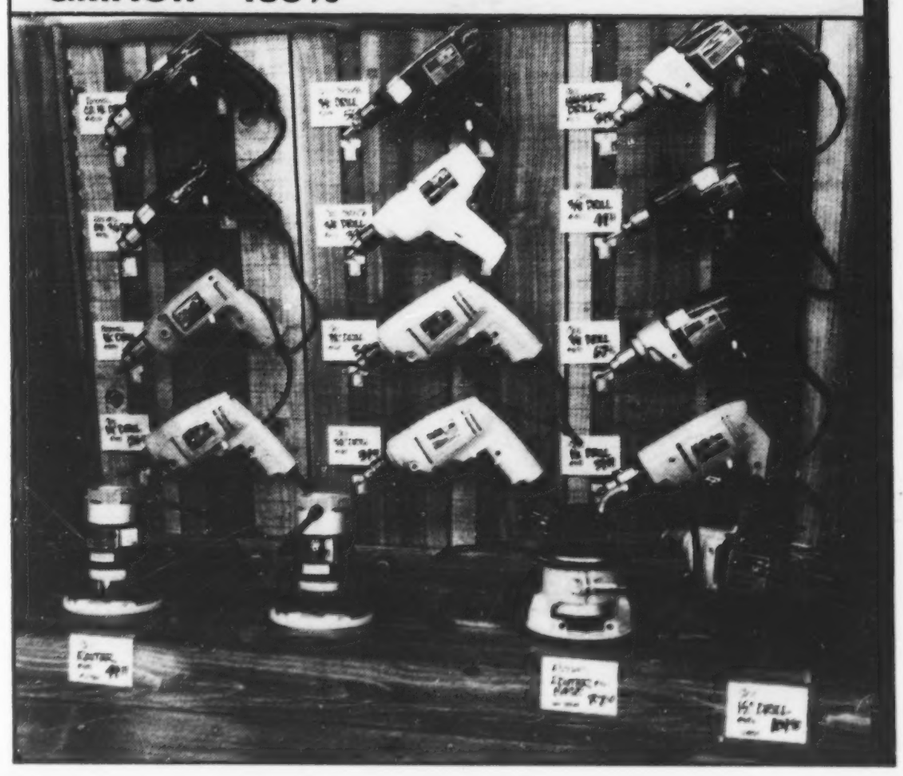
TOOLS

Sales: $1.1 billion

Annual Turns: 3.0

Gross Margin: 33%

GMROI: 133%



Diamond

(Continued from page 42)

ity in Bakersfield.

"For the immediate future and into the next two years in California," Cushman said, "we will probably be concentrating on the area between Bakersfield and north of Los Angeles."

In the meantime, the chain has continued its aggressive acquisition stance in the Northwest. Among its purchases so far this year are Troy Lumber, Lewiston, Idaho; Builders Center, Bellingham, Wash.; Dick's Lumber Service, Portland, Ore., and Livesay's Lumberyard, Woodburn, Ore. The facilities were contractor-oriented, but some have the capacity to do additional DIY trade.

In the Northeast, the chain closed an outlet in Westboro, Mass., for failing to generate enough business. The closing, part of a Diamond policy to close unsuccessful facilities, along with acquisitions and openings this year, is expected to give the chain 125 outlets by year's end.

Increased retail sales have also been a goal in other areas for the chain.

Menards

EAU CLAIRE, Wis.—The march of "brilliant eccentric" John Menard into the Madison/Milwaukee area was halted during 1981 by the faltering economy.

A plan for three simultaneous Menard Cashway openings in the Milwaukee area was shelved last spring, although an insider stated that "at least one" store would open in the Milwaukee area by next summer. Menards currently operates 15 units in Wisconsin, Minnesota and Iowa. One new store was opened during 1981.

NHCN estimates Menards' 1981 sales at $132 million, up from an estimate of $115 million

(Continued on page 46)

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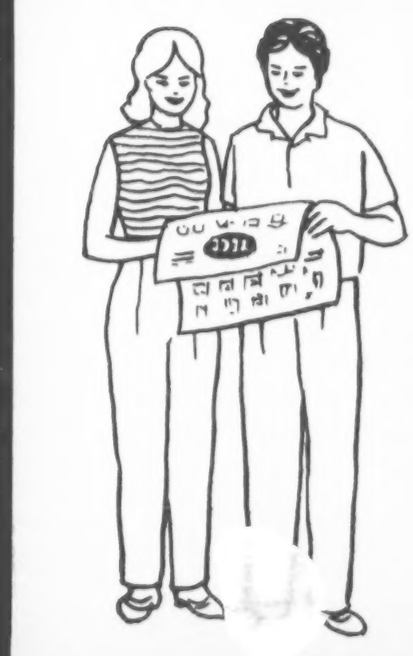

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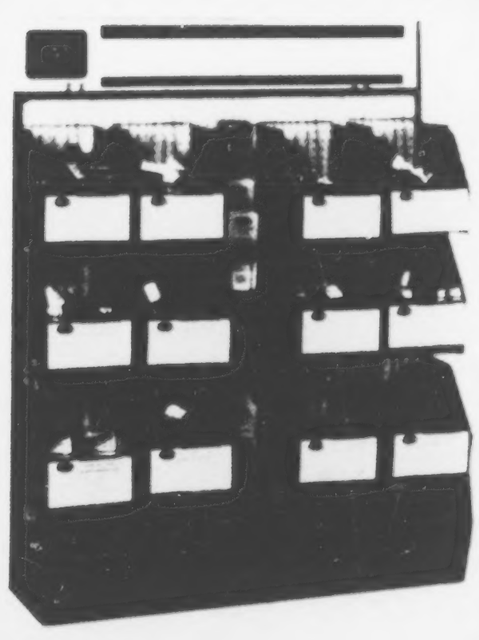

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CENSUS 81 FACTS AND FIGURES

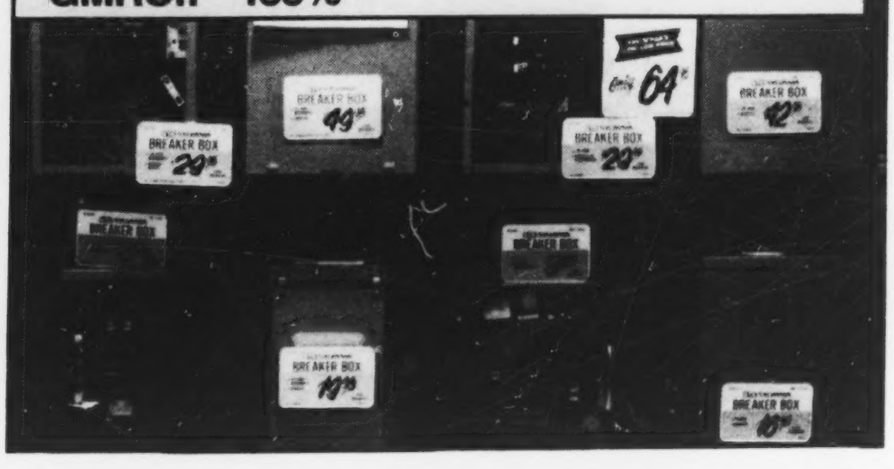
ELECTRICAL

Sales: $1.2 billion

Annual Turns: 2.7

Gross Margin: 35%

GMROI: 135%



Menards

(Continued from page 45)

in 1980.

Insiders say Menard's aim is 25 units dotting the North Central states by 1985 and 40 by 1990.

Sources indicate that sales for the 85% DIY chain's largest, most successful stores reach about $10 million a year. One insider insisted some units' annual sales figures hit the $18 million mark.

Menards is reportedly the heaviest home center advertiser in the Twin Cities area. According to the Television Bureau of Advertising, the chain invested $230,500 in TV advertising during the first half of 1981.

MENARDS CASHWAY

	1981 (proj.)	1980
Units	15	14
Sales	$132 mil.	$115 mil.
% DIY	85	85

Source: NHCN

National Lumber

SANTA ANA, Calif.—In an expansion drive, National Lumber opened three new stores during 1981.

The 12-unit chain, which usually opens one store per year, continued to be the envy of most home center operators, with a $9-million-per-store average sales volume.

National's 1981 sales are projected at $90 million, up 29% from the 1980 total of $70 million.

Although the earnings statements of the family-run operation are kept under wraps, an indication of the chain's wealth is that the last four new stores were opened with the company's own cash reserves.

Of the chain's three new stores, two were opened at locations outside the Los Angeles area: one in Riverside and another, which opened this month, in Palm Springs. In 1982, National will return to its one-store-per-year growth rate.

NATIONAL LUMBER

	1981 (proj.)	1980
Units	12	10
Sales	$90 mil.	$70 mil.
% DIY	100	100

Source: NHCN

In 1980, the company was fourth among the nation's home center chains in television advertising, according to the Television Bureau of Advertising, spending $615,700. The company spends 4% to 5% of sales on advertising, approximately $4 million in 1981. National mails out 11 million catalogs annually and advertises in 22 newspapers.

Hugh M. Woods

DENVER—Hugh M. Woods added two stores this year and for the first time expanded beyond the Denver-Boulder market, with a 30,000-sq.-ft. unit on seven acres in Colorado Springs.

Sales for fiscal 1981, which ended in April, reached almost $80 million, a jump of about

(Continued on page 50)

HUGH M. WOODS

	1981	1980
Units	12	10
Sales	$80 mil.	$61 mil.
% DIY	80	80

Source: NHCN

Flooring

(Continued from page 42)

carpet cutting machine enabled the chain to merchandise sheet vinyl in remant form, as well as off the roll.

Artificial turf sales remained steady in home centers this year. Although manufacturers introduced new colors and textures, basic green remained the predominant favorite among DIYers, who also preferred the turf in easier-to-handle 6-ft. widths.

Ed Clifford, buyer at 277-store Wickes, expects to see a turf sales increase of 12% to 15% this year, continuing the generally steady growth the chain has seen since first carrying the product about seven years ago. Most of the sales are expected to be in the narrower width.

"Future turf sales may be positively affected by the increased number of people improving their homes rather than moving," Clifford said. "But many of these people are building decks, which generally do not take artificial turf."

One manufacturer is introducing new packaging aimed at convincing DIYers that turf is not a seasonal purchase, because the product has many indoor applications.

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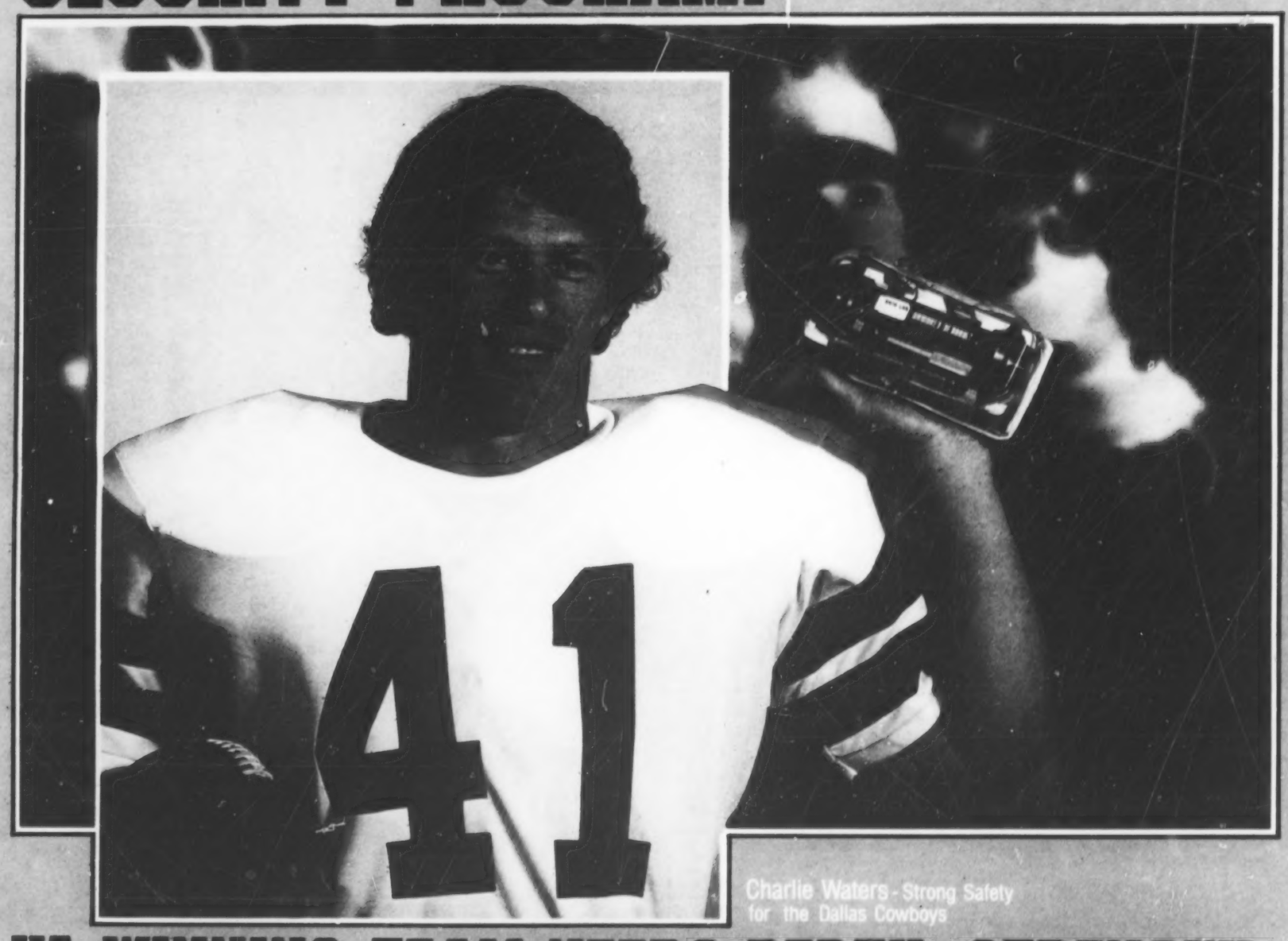

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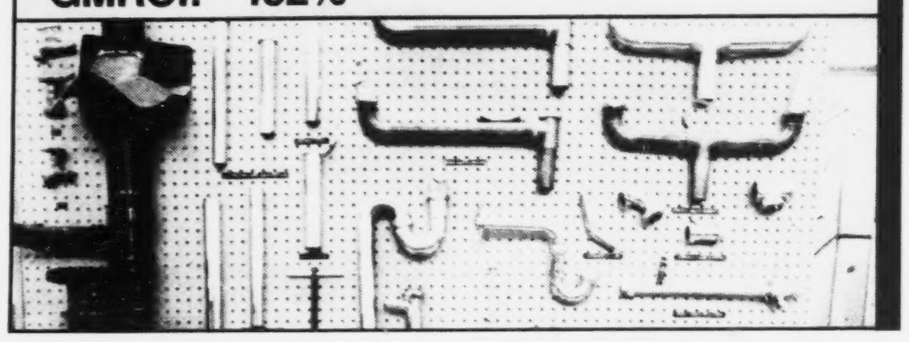
CENSUS 81 FACTS AND FIGURES

PLUMBING
Sales: $1.5 billion
Annual Turns: 3.0
Gross Margin: 36%
GMROI: 152%



Trade-up trend, packaging boost plumbing sales 25%

NATIONAL REPORT—Better point-of-sale packaging, increased retail volume from plastic pipes and fittings, and a marked inclination toward higher-end merchandise have resulted in many home center plumbing departments' sales jumping 25% or better in 1981.

The significantly improved packaging was probably the most welcome surprise to retailers who have, in the past, lamented the decline, both in numbers and quality, of their sales force.

"We've been good and bad as far as customer service is concerned," said Dale Denniston, buyer for the 87-unit Scotty's chain, Winter Haven, Fla. "So we really need that packaging to explain and sell the plumbing items. Finally, the manufacturers have come through for us" (*NHCN*, Aug. 17).

Scotty's carried in excess of 850 sku's, and it seems that many home centers were confident enough in their plumbing departments this year to widen the range of products they carry. The 50%-60% average maintained margin this product category promises did not hinder this merchandising decision, either.

Retailers expanded their plumbing product lines in many directions in 1981. This was particularly evident in the number of retailers taking on additional sku's of plastic plumbing, including polybutylene (PB) tubing.

"I've been in the plumbing business for 14 years, and I have never seen a product as foolproof as this one [PB]," said Charles Irons, buyer for the six-unit Masten Lumber and Supply. This Milford, Del., chain has seen BP turn 12-14 times annually at a margin rate of 60%-70%.

While not all home centers have had the same degree of success, many have reported to *NHCN* that, because plumbing code restrictions have eased, residential use of plastic plumbing has become more common.

Retailers have also looked to stock higher-end merchandise in their departments as a way of combating pressure from discounters and accommodating a more sophisticated consumer looking to turn his bathroom into a more decorative living area.

For instance, dealers noted that brand names like Kohler, American Standard and Crane—all leading high-end plumbing fixture manufacturers—would be represented in their stores by year's end.

"We're going with high-end bath fixtures as often and as aggressively as we can," said Jim O'Donnell, buyer for the six-unit Lumberjack Stores, Sacramento, Calif. (*NHCN*, Aug. 17).

This merchandising strategy is even reflected in smaller items such as shower heads, which rarely make up more than 2%-5% of a store's plumbing volume. For instance, the four-unit Economy Lumber, Denver, is one of several chains reportedly promoting the higher-end heads actively in 1981.

"The market is kind of funny," said vp Steve Stookesberry. "Sometimes, people just shop price, but when it comes to buying a head for their personal use, they'll usually spend the extra money" (*NHCN*, May 25).

Hugh M. Woods

(Continued from page 46)

30% over the $61 million recorded the year before.

Strong sales were attributed to mild weather during the winter.

Earnings climbed about 25% over last year, a healthy growth but less than the 40% hike between 1979 and 1980.

Stores added this year brought the total to 12, with two more expected to be in operation by the end of 1982, continuing the chain's pattern of steady growth.

A Woods home center carries about 20,000 sku's, with sales per square foot averaging about $216.

The chain is completely cash and carry with 80% DIY customers and the rest small contractors.

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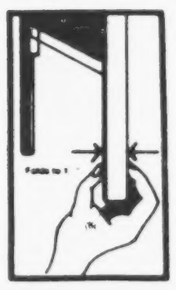

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McCoy's Building Centers

SAN MARCOS, Tex.—A 28% increase in sales and the addition of four new outlets highlighted 1981 for McCoy's Building Supply Centers.

Chain president Emmett McCoy said the chain, which will have 33 units by year's end, expects to do $98 million in sales compared with the $76 million in volume it captured in 1980.

The new stores, located in Beaumont, Palestine, Pharr and Bryan-College Station, Tex., are all 15,000 sq. ft. on three to four acres of land with a warehouse, storage building and parking lot.

The chain expects to have five new stores in 1982, bringing its total to 38. The sites have not yet been determined.

McCoy's will again draw 80% of its business from DIY retail sales, and McCoy said things have been "pretty quiet" at the chain.

McCOY'S BUILDING CENTERS

	1981 (proj.)	1980
Units	33	28
Sales	$98 mil.	$76 mil.
% DIY	80	80

Source: NHCN

"We've had no significant personnel changes in the last nine months," he stated. "It's been business as usual. We're pretty satisfied with the people we have working for us [McCoy's is a family-run company with four family members in executive positions] and the product mix in our stores."

He also noted that while high interest rates have been a real problem in his southeast Texas market, they haven't affected his business as drastically as at other home centers.

Erb Lumber

BIRMINGHAM, Mich.—A depressed home building market, tight money and inflation were blamed for Erb Lumber's continuing sales decline.

Nevertheless, Erb chairman Fred A. Erb told *NHCN* that he is confident the chain's six Detroit area stores will make money this year despite the region's sluggish economy.

One reason for that show of confidence might be the $400,000 advertising campaign on behalf of the Detroit stores aimed at combating arch competitor Forest City, operator of eight stores in the area.

Erb's 1981 sales are estimated by *NHCN* at $104 million, down from a 1980 total of $118.9 million. The chain operates 36 stores in six states. No new stores were opened during 1981, and none are planned for 1982.

ERB LUMBER

	1981 (proj.)	1980
Units	36	35
Sales	$104 mil.	$118.9 mil.
% DIY	66	65

Source: NHCN

Construction continued on a 21-acre builder distribution center in Mount Clemens, Mich., at Erb's 68-acre industrial park. The facility, scheduled for a spring opening, will consolidate the rough and trim lumber facilities and the cabinet and window distribution centers.

In April, Erb acquired Smith Lumber & Supply of Grand Rapids, a 65% DIY unit. The store, which now goes under the Erb Lumber name, had approximately $7.5 million in sales during 1980.

Plywood Minnesota –

MINNEAPOLIS—The breakaway of Plywood Minnesota's 44 franchised units could well mark the beginning of the chain's exit from the home center industry.

On Sept. 1, owner Sen. Rudy Boschwitz finalized the sale of the franchise portion of his chain to 10 company veterans. (*NHCN*, Sept. 14).

"It was a great mutiny," the pleased Senator wrote in a letter to *NHCN* (Sept. 28.). "There I was walking the plank, and just as I was about to jump they slipped me millions, which sure softened the fall."

Industry watchers are now speculating the busy Washington politician made the move as a first step in selling all of Plywood Minnesota. As one insider observed, it will be a lot

(Continued on page 52)

Short studs

(Continued from page 39)

DIYers for smaller wood projects, such as building a workbench or a book case. While many DIYers are willing to tackle interior remodeling projects requiring shorter lengths of dimension lumber, fewer of them, it seems, want to get involved with room additions requiring standard length studs, and longer dimension lumber.

Shelving projects continue to account for a large proportion of the lumber moving past the cash register, according to retailers, although none could provide any specific measure.

Home center operators report the best-selling shelving tends to be selected common, either #2 and better, or #3 common western pine. While the smaller outlets reportedly stock one or two widths, typically 1x12, and cut to length, home centers getting the highest turns offer a complete range of sizes and widths.

Retailers, generally across the country, also continue to report a preference for dry wood, citing its stability inside air-conditioned stores.

LUMBER/PLYWOOD

Sales: $5.06 billion

Annual Turns: 6.3

Gross Margin: 31%

GMROI: 266%

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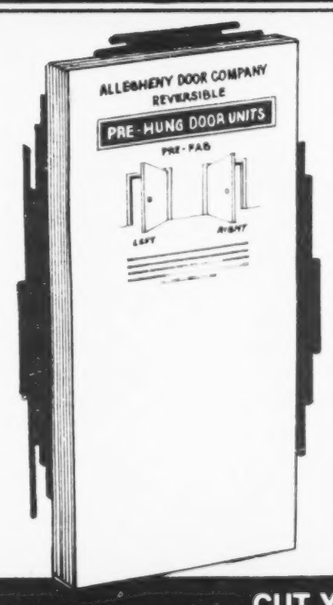

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CENSUS 81 FACTS AND FIGURES

AUTOMOTIVE
Sales: $330 million
Annual Turns: 3.2
Gross Margin: 32%
GMROI: 139%

Chains fine tuning automotive dept. mix

NATIONAL REPORT—Many home center chains and independents that want to carry automotive products are fine tuning the departments to get the correct mix of merchandise.

Canada's Beaver Lumber is reducing its commitment to automotives with a plan that included 25% off merchandise through August and 50% off in the last two months.

Items such as plugs, points, filters, books, paint and seat cushions are now scheduled to be marked as low as necessary to sell, according to buyer John Dickson.

The automotive news from the Toronto, Ontario chain is not all negative, however. Beaver Lumber is maintaining windshield wiper fluid, scrapers, antifreeze and motor oil, Dickson said. In fact, it is adding brand name products to its oil and antifreeze selections.

It will also continue promoting oil at reduced prices and tie-in spouts and pans at regular margins, Dickson said.

Busy Beaver, Blawnox, Pa., has also cut automotives from 56 to 24 running feet, according to buyer Frank Schutzman.

"Automotives was too big to have just the cream and too small to be a factor," Schutzman said. "We're up against retailers with much more space in it. The main purpose for us now is to run items as traffic builders and appeal to the impulse buyer."

Gone from the chain are chrome mirrors, books, plugs, distributor caps, quartz lights, mats and some finishing tools. Remaining are waxes, chemicals, solvents, oil and antifreeze.

All American Home Center, Downey, Calif., dropped its automotive parts department at the beginning of the year because there was too much product to stock and because it lacked the necessary skilled sales help.

Plywood Minnesota –

(Continued from page 51)

easier to sell the company now that the cumbersome franchise group is not part of the deal.

For the present, however, all parties involved in the sale are pleased.

Boschwitz said, "It surely strengthens the parent company, and my hope and desire is that it strengthens the franchisees as well."

The Rochester, Minn.-based group which bought the 44-unit franchise operation is currently called PMI, an abbreviation for Plywood Minnesota.

A new name will be adopted within the next six to 12 months, according to the new company president George Sheer. It will undoubtedly relieve the chain of the burdensome misnomer of being a plywood-related company, he noted.

The dollar value of the deal was not available.

However, Sheer indicated the franchise stores, mostly located in rural markets, accounted for about 35% of the chain's total volume.

According to *NHCN* estimates, that leaves Boschwitz with 20 units pulling in approximately $37.4 million in sales this year.

Last year, the then 64-unit, decoratives-oriented chain did some $57.6 million worth of DIY business.

The sale of these 44 units comes in the wake of a host of leadership problems and changes at Plywood Minnesota. In fact, the chain is already on its third administration in three years.

PLYWOOD MINNESOTA
(includes Drexel)

	1981 (proj.)	1980
Units	20	64
Sales	$37.4 mil.	$57.6 mil.
% DIY	100	100

Source: NHCN

Busy Beaver

BLAWNOX, Pa.—Busy Beaver Building Centers resumed its expansion program during 1981 following a two-year lull, with the opening of its 31st store in Niles, Ohio.

NHCN estimated the chain's 1981 sales at $85 million, up from a 1980 estimate of $78 million.

DIY sales accounted for 70% of sales during 1981, up from 68% in 1980. The chain plans to open between two and four new units during 1982.

Merchandise categories added during 1981 included wood burning stoves (in 20 stores), ceiling fans, and an installation service. Busy Beaver is presently considering adding stationary tools and safes to its product inventory. The chain dropped its automotive line during 1981.

Busy Beaver spends 3% of its retail sales on advertising, approximately $2.5 million in 1981.

BUSY BEAVER

	1981 (proj.)	1980
Units	31	30
Sales	$85 mil.	$78 mil.
% DIY	70	68

Source: NHCN

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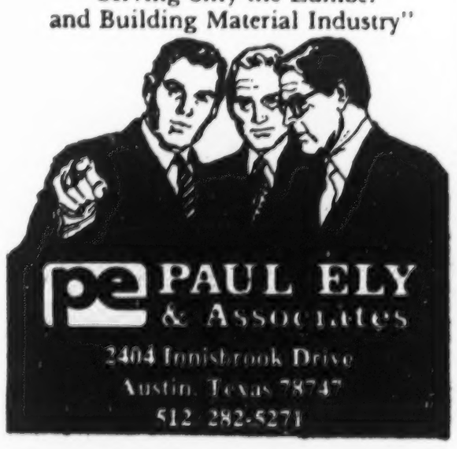
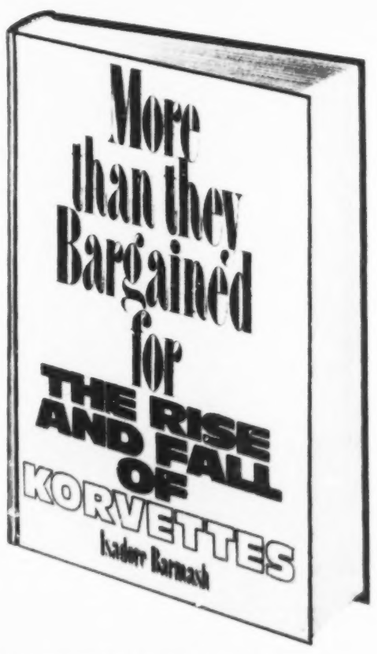


THE ASTONISHING STORY BEHIND THE SPECTACULAR RISE AND DISASTROUS FALL OF THE GREAT KORVETTES CHAIN



MORE THAN THEY BARGAINED FOR
The Rise and Fall of Korvettes
by Isadore Barmash

On Christmas Eve 1980, the lights went out forever in the few remaining stores of the once proud, pioneering 58-store Korvettes chain. It all began in 1948 on Manhattan's East 46th Street with a tiny second-floor luggage shop. Suddenly, almost magically, it developed into the *world's first major* discount department store: Korvettes!

This was the store that took seed in the post-World War II boom—the store that grew into an American institution—only to plunge into ignominious and inexplicable bankruptcy thirty-two years later!

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Was it over-extension? Bad merchandising? Dissension? Stupidity? Cupidity? Change in markets? Mismanagement? Mismergers? Wrong locations?

Lots of answers have been given. But here for the first time are the behind-the-scenes *facts*—a gripping story of conglomerates, mergers, big capital, and foreign takeovers.

Here is a memorable lesson in retailing, a primer on management (and mismanagement!), a brilliant guidebook on how to succeed in American business, and a startling insight into the very mechanisms of American enterprise itself.

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- Here's the group of four high-living French brothers who just about escaped jail.
- Here's the lady with the four-letter mouth who masterminded the Korvettes cosmetic coup.
- Here's the "savior" who ordered higher markups and inferior goods.
- Here's the "new" president who was so bad that everybody with talent quit.
- Here's the "new location genius" who always bombed out of town.
- Here's the desperate advertising exec who never got the sales support and product backup.
- Here's the genius who tried to combine real estate with retailing and fell on his face.

This book is must reading for every retailer, every entrepreneur, every financier and stockbroker, and every intelligent layperson who knows that to understand the reasons for the success—and also the failure—of a giant like Korvettes is to understand American enterprise itself.

Isadore Barmash has been Assistant Financial Editor and retailing specialist for *The New York Times* for many years, and has authored countless articles and books. He has followed the course of Korvettes' fortunes over two decades, exhaustively researched his subject, and personally interviewed *every principal protagonist* of the Korvettes drama. *Code #533/$14.95*

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Wolohan

SAGINAW, Mich.—Wolohan Lumber began the long trek back to profitability with the hiring in September 1980 of David Wallace as president and chief operating officer. The chain had experienced a 27% drop in sales in 1980 to $99,600,000 and a dramatic 80% earnings decline to $796,000.

The 35-store chain appears to be on the upswing with second-quarter 1981 net income up to $395,000, a better than 35% improvement over the same period in 1980. First-half 1981 sales totals of $43,727,000 are about equal to the 1980 first-half figure. *NHCN* estimates that the final 1981 sales total will be $95 million. Wallace optimistically envisions $300 million sales and 50 stores by 1985.

WOLOHAN LUMBER

	1981 (proj.)	1980
Units	35	34
Sales	$95 mil.	$99.6 mil.
% DIY	60	54

Source: *NHCN*

Chairman and chief executive officer Richard V. Wolohan attributed the dismal 1980 performance to the chain's delay in entering the DIY field, which now accounts for 60% of sales, up from 35% in 1977. Housing starts in 1980 were down more than 38% in the North Central States where Wolohan operates.

Collectively, Wolohan's contractor sales in Illinois, Indiana, Ohio, Kentucky, Michigan and Wisconsin plunged 42% last year, while DIY sales, hurt by mounting regional unemployment, fell 6% from 1979.

Lumberjack

SACRAMENTO, Calif.—Further expansion into the solar heating DIY field and the opening of the chain's sixth unit were some of the highlights in 1981 for Lumberjack Stores.

During fiscal 1980 the 90% DIY chain had sales of $50,000,000 with 1981 projected sales estimated at $60,000,000. The opening of the chain's sixth store at Auburn, Calif., during July of this year boosted monthly sales by 40% as compared to July 1980, according to vice president Tim Steiner.

Festivities marking the grand opening of the 25,000-sq.-ft. outlet included a country western band, the first time Lumberjack used entertainment at an opening, and judging from the reported response, certainly not the last.

LUMBERJACK STORES

	1981 (proj.)	1980
Units	6	5
Sales	$60 mil.	$50 mil.
% DIY	90	90

Source: *NHCN*

As of July 1, all Lumberjack outlets were offering solar swimming pool and domestic hot water installations at an average price of $2,500. The chain has its own licensed crew of installers to provide the service.

Solar water heaters should generate sales of approximately $1.5 million for the chain this year with sales currently split 50/50 between spa/pool heaters and domestic heaters.

Lumberjack also added lawn and garden and furniture to its merchandise categories during 1981.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Previous Sales*	% Change	Current Earnings*	Previous Earnings*	% Change
Diamond International	9/13-12 wks.	$318,700	$304,795	5	$5,400	$9,209	– 41
Interco	8/31-2nd qtr.	713,664	599,125	19	32,308	29,778	8
Pay 'N Pak	8/31-2nd qtr.	49,319	42,474	16	1,859	1,687	10

*$ in thousands

Sept. sales drop 3% for Lowe's

NORTH WILKESBORO, N.C.—Lowe's suffered its second consecutive month of lower sales with its professional business accounting for all of the decrease once again.

In the four-week period ended Sept. 26, the 218-store chain's sales fell 3% to $70.3 million while builder sales were decreasing 21% to $31.0 million as compared to the same period a year ago, company officials said.

In August, Lowe's sales took an 8% dive with builder sales off 19% as compared to August 1980.

Retail volume was a bright spot for the company in the September period. DIY sales rose 20% to $39.4 million from the four weeks ended Sept. 27, 1980 to give the chain a 56-44 consumer-contractor business mix for last month, officials said.

Wall Street has noticed Lowe's recent professional business slump, brought about by high interest rates and the depressed home building industry.

In a report from stockbroker Smith Barney Harris Upham, New York, vice president Barbara T. Alexander said, "With extremely depressed volume and weak pricing, Lowe's professional builder business is operating at about the breakeven level."

The company has lowered Lowe's full-year earnings estimate, saying that income will equal 1980's figure. Lowe's net earnings last year totaled $18,891,000 and first-half earnings this year were up 5% from last year to $9,872,000.

In another development, Lowe's shareholders at a special meeting approved a proposal to increase the company's authorized common shares from 20 million to 50 million to accommodate future need for shares (*NHCN*, Sept. 14).

Lowe's directors then implemented a planned 3 for 2 stock split of the existing 13,022,126 shares after approval of the increase in authorized common shares. They split the stock to set the price per share at an attractive trading level, according to Leonard G. Herring, Lowe's president and ceo.

U.S. POSTAL SERVICE
STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION
(Required by 39 U.S.C. 3685)

1. TITLE OF PUBLICATION: National Home Center News
A. PUBLICATION NO.: 0 1 9 2 6 7 7
2. DATE OF FILING: 10/1/'81
3. FREQUENCY OF ISSUE: Bi-Weekly - Every other Monday; Monthly in Dec.
A. NO. OF ISSUES PUBLISHED ANNUALLY: 25 -
B. ANNUAL SUBSCRIPTION PRICE: $ 7.00
4. COMPLETE MAILING ADDRESS OF KNOWN OFFICE OF PUBLICATION (Street, City, County, State and ZIP Code) (Not printers): 425 Park Avenue New York, N. Y. 10022
5. COMPLETE MAILING ADDRESS OF THE HEADQUARTERS OR GENERAL BUSINESS OFFICES OF THE PUBLISHERS (Not printers): 425 Park Avenue New York, N. Y. 10022
6. FULL NAMES AND COMPLETE MAILING ADDRESS OF PUBLISHER, EDITOR, AND MANAGING EDITOR (This item MUST NOT be blank)
PUBLISHER (Name and Complete Mailing Address): J. Roger Friedman, Lebhar-Friedman, Inc., 425 Park Ave., New York, N. Y. 10022
EDITOR (Name and Complete Mailing Address): Robert Chew, Lebhar-Friedman, Inc., 425 Park Ave., New York, N. Y. 10022
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Mirror tiles

(Continued from page 3)

Hancock said the mirror tile market was "depressed but not dead."

The chain has cut its selection in half from 16 to 18 sku's to eight, dropping some design patterns, he said.

"The better tiles, including beveled-edge, gold swirl, bronze and silver are still doing well," he noted.

At five-unit Builderama based in Savannah, Ga., buyer Joan Wilber said the best activity in mirror tiles lies in the low-end plain tile priced at $7.99 per box.

"There has been a downward trend in the category," she related, however. "It seems to have hit its peak. Mirror tiles don't seem to be in vogue."

Kip Kronenberg, general manager of Calco's retail group, Austin, Tex., said silver prices hurt mirror tiles but he agreed with Builderama's Wilber that they might be out of style.

Calco stocks the items in only two of its six stores and is considering phasing out the category, Kronenberg said.

Gambles DIY

(Continued from page 3)

parking lot, "the hardware department will be the first thing they see," said Sharp. "Building materials, like insulation, are to the right near lumber. Decorative building materials, such as wrought-iron doors, are to the left next to the paint department."

Sharp said the mall was "female-oriented" and that decorative trim and plumbing products are front and center in this part of the store, with upgraded housewares to the left and paint, wall decor and lighting/electricals to the right.

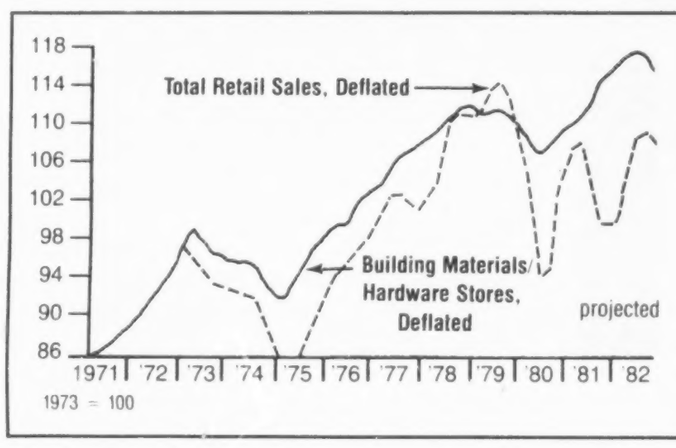
"We constructed and stocked the store with two audiences in mind, and our main store traffic arteries circle within the unit, guiding the male or female customer naturally into the department he or she is most likely to buy in," he said.

The question remains, though, what Gambles will do with the prototype concept. Currently, the division has 14 franchised home centers, 400 "home products" stores and 435 conventional hardware/automotives outlets.

Wickes and Gambles officials called expansion plans "proprietary," and did not reveal if or when any of the Gambles stores might be converted to resemble the new prototype.

L/F ECONOCYCLE

DIY units outpace cyclical downturn



Building Materials & Hardware

Sales Change By Quarter

	'80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %
Sales include Inflation	7.2	– 8.4	– 9.4	– 1.5	8.4	15.4	13.9	5.5
Real sales (Deflated)*	– 2.6	– 17.6	– 18.5	– 10.4	– 1.2	6.3	5.1	– 2.7

12-Month % Change

'79 %	'80 %	'81* %
12	– 3	11
4	– 12	2

Base = June 1981 Sales
*Projected

The Lebhar-Friedman spending indicator (below) continues to mirror persistent upward growth of retail sales through the balance of 1981. In fact, a sharp pickup in the spending rate now suggests a resurgence of consumer confidence that may lift current sales-projections beyond forecast levels in the last two months of the traditional "golden quarter."

General retail sales (chart below) should move ahead 4.1% this month against same-month sales in 1980. This follows a third quarter performance of 3.4% for all retailing and hints strongly at better-than-bargained-for results in November-December.

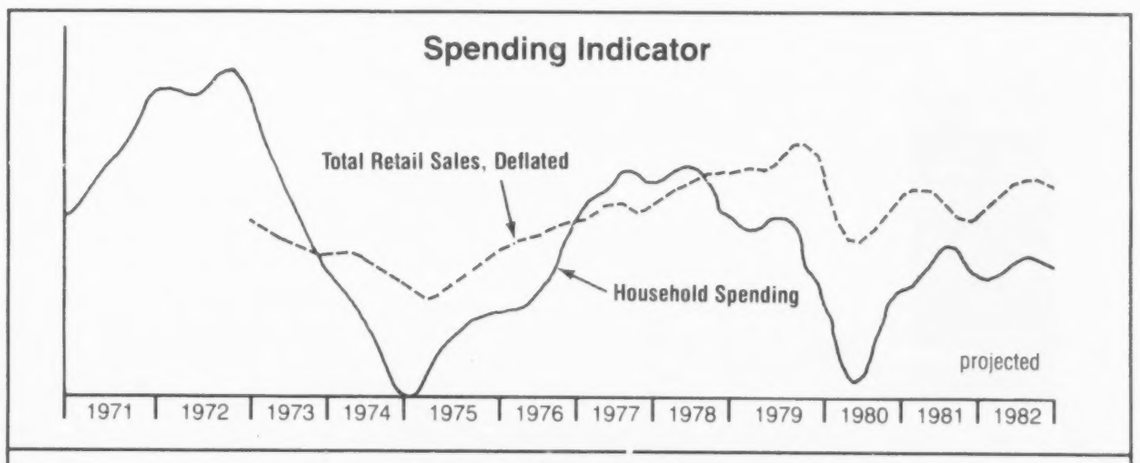
The L/F Econocycle projection is for continued "spotty" performances by specific retail categories.

Department stores are being clocked for a 6.1% rate-of-gain this month—and will be running ahead of all other retailers for the first time this year.

Building materials/home center outlets, on the other hand, are generally entering a sharp cyclical downturn fueled by this year's extremely high interest rates and impact on home construction activities.

The current downturn mirrors the severe falloff of building materials during the 1974-75 recession-period.

Although Econocycle statistics can not extract contractor sales, there continue to be strong indications that DIY (consumer-oriented) home center operators are generating plus sales and profit increases. (Florida-based Scotty's, for one, pushed sales ahead 20% and earnings up 5% for the fiscal year just ended. Lowe's continues to put its emphasis on consumer-retail operations to offset a weakening builder market.)


Spending Indicator
Total Retail Sales, Deflated
Household Spending
projected
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	– 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	– 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	– 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	11.9	10.5	11.9	15.4	11.1	8.8	8.2	11.8	10.4
	3Q*	10.3	7.9	11.9	13.9	9.7	7.2	8.2	10.6	9.3
	4Q*	9.4	7.5	9.5	5.5	6.3	7.2	7.2	7.0	7.1
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.0	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	10.0	11.0	9.0	8.0	8.0	9.0	9.0

Real Sales (Deflated)
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	– 1.2	5.8	0.0	– 2.6	3.8	4.9	– 1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	– 17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	– 18.5	0.5	– 5.8	– 0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	– 10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.4	0.3	2.8	6.3	1.2	3.1	4.0	5.2	4.5
	3Q*	3.4	2.6	3.9	5.1	1.4	2.3	4.7	5.2	4.5
	4Q*	4.0	5.8	2.6	– 2.7	– 0.5	0.5	4.7	1.6	2.1
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	– 3.0	3.0	– 0.7	– 12.0	2.0	– 1.0	0.1	– 1.0	– 1.0
	1981*	3.0	2.0	2.0	2.0	0.6	2.0	5.0	3.0	3.0

Base = June 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

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Floor coverings roundup: pp. 15-19

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CONGRESSIONAL INFO INC
66 00194644
ED-93609- 1 9 09902

National Home Center News®

Vol. 7, No. 23 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • November 9, 1981
$7 per year $2 per copy

Following in their fathers' footsteps

Sons carry on DIY tradition

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Some call them SOB's, sons of bosses.

They run—or are waiting to run—a family business that in the home center industry typically began as a salvage outlet in the 1880's, grew into building supply stores before World War II and then followed America into suburbia.

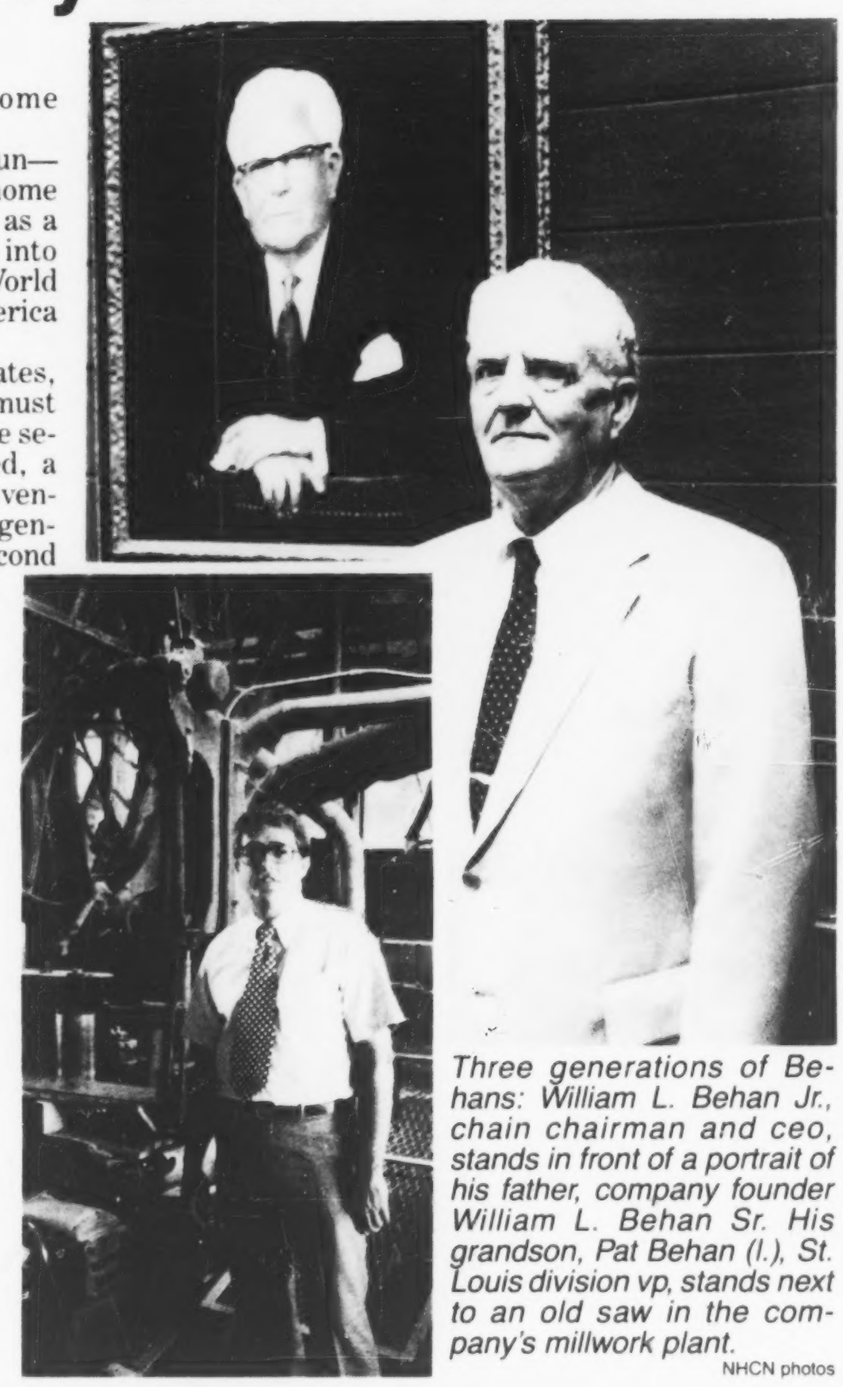
But in this era of conglomerates, where the current generation must balance independence against the seductive appeal of being acquired, a number of sons have defied conventional wisdom that says the first generation founds a business, the second expands it and the third sells it.

"I think our customers feel good that they can talk to a Mr. Meyer," said Wayne Meyer, fourth generation retail sales manager of Meyer Lumber, a single-store operation outside of Kansas City, Kan. "You know, is there really a Handy Dan?"

The pressure to keep it all in the family is perhaps best signified by the fact that more than one building supply operation believes its patriarch originated the home center concept.

For example, C. E. Peterson Sash, a company founded in the late 1800's by a Swedish cabinetmaker who specialized in wooden interiors for safes and desks for Chicago's public schools, evolved into Gee Lumber and Coal, which in 1947 erected a 50,000-sq.-ft. mass

(Continued on page 4)



Three generations of Behans: William L. Behan Jr., chain chairman and ceo, stands in front of a portrait of his father, company founder William L. Behan Sr. His grandson, Pat Behan (l.), St. Louis division vp, stands next to an old saw in the company's millwork plant.

NHCN photos

Diamond seen as best bet to buy 50 Homecrafters

By Greg Puchalski
NHCN senior editor

PELHAM, Ala.—Diamond International appears to have the inside track in acquiring 50 Homecrafters stores in the Southeast from Union Camp, *NHCN* has learned.

Although Union Camp officials are calling an impending sale of its Moore Handley division "strictly a rumor," sources close to the division say the sale of Moore Handley's wholesale hardware, industrial supplies and machine tool businesses is in its final processes and that Homecrafters is also available.

Union Camp based in Wayne, N.J., has reportedly received several inquiries for the Homecrafters stores.

Sources said W. R. Grace and Evans Products had expressed interest in pieces of the Homecrafters chain, but that Diamond, based in New York and with retail headquarters in the Sacramento, Calif., area, was looking at the entire chain.

Apparently, its interest in the whole chain has placed Diamond as the front runner in such an acquisition.

A Union Camp spokesman would only say, "We have been approached from time to time concerning Moore Handley."

Diamond, on the other hand, which is searching for a DIY-oriented chain to go along with its contractor-oriented facilities (*NHCN*, Sept. 28), is working on a major acquisition, according to Richard Cushman, the firm's retail vice president.

"There's no question we will acquire a retail chain, but nothing is about to break soon," he said. "We're still looking and we haven't closed the doors to anything."

Cushman cautioned that Diamond International has spent large sums in recent transactions at the corporate level and indicated this may limit the amount the parent is willing to spend.

A source said a Homecrafters deal could involve $1 million per store, or $50 million.

Although Homecrafters, as of last year, did only 40% of its sales with DIYers, it is attempting to boost retail volume. It is presently testing credit card and catalog services and has adopted an installation service (*NHCN*, Oct. 12).

Expansion in the Southeast would not be totally new for Diamond either. In recent years, it has opened and acquired outlets in Florida.

Other companies either have been or are still in the running for the stores, sources said.

Grace reportedly wanted to

(Continued on page 50)

McNulty named vp of Grace chains

NEW YORK—An operator of two home centers 18 months ago is now in charge of merchandising for the largest home center operation in the country.

Robert McNulty, executive vice president of southern California's Angels Do-It-Yourself, a 15 store, $50 million-plus W. R. Grace home center chain, will be moved into a new corporate post, vice president in charge of merchandising and operations for all Grace home center chains, *NHCN* has learned.

McNulty

W. R. Grace operates seven operations: Angels, Channel Home Centers, Handy City, Orchard Supply, Cashway Home Improvement, Handy Dan and Green/Harris. The home center fleet in total has 270 stores and some $810 million in sales.

McNulty, who will report directly to home center group president Frank Denny, joined Grace last year when his two store Western Home Centers was purchased by Angels. At that time, McNulty was put in charge of revitalizing the merchandising attack of the ailing Angels unit (*NHCN*, May 25).

A replacement for McNulty at Angels has yet to be named. McNulty's new position is expected to consist of coordinating merchandising strategies at chains, utilizing Grace's buying clout among suppliers and lending a hand in acquisition and expansion plans.

Forest giants' profits crash; expect turnaround by late '82

By Wyatt Kash
NHCN associate editor

NATIONAL REPORT—The cry of "tim-berrr" was heard echoing through the corporate offices of the nation's forest products giants last month, instead of in their forests, as quarterly earnings came crashing down.

For most, it was only a matter of time before net income began to collapse.

The crippling impact of high interest rates on the housing industry, as well as on the export market, has rifled the corporate coffers of building material suppliers all year. With almost a third of the nation's mills now closed, and better than half of the industry's workforce laid off, or on curtailed schedules, the forest products industry, like the interest rate-sensitive auto industry, finally buckled at the knees.

"Reporting a loss is a new and unwelcome experience," conceded Louisiana-Pacific chairman and president, Harry Merlo, in releasing his company's third-quarter results last month. The nation's third-ranked lumber producer showed a $2.6 million loss on third-quarter sales of $254.4 million. Net income for the first nine months of this year are down 57% from the $48.6 million earned in the same period last year.

In San Francisco, Crown Zellerbach's timber and wood products division reported a $10.2 million loss on third-quarter sales of $111.5 million, turning earlier profits into a $1.8 million loss for the nine months ended Sept. 30, on total division sales of $425.7 million. The forest products giant, which recently ousted its chairman, and lost a top vice president in a management shakeup, reported that it was particularly hurt by the millworker strike in

(Continued on page 50)

NEWSBREAKS

PERGAMENT BUYS HUGE KORVETTES SITE. Pergament has purchased the lease of a former 200,000-sq.-ft. Korvettes store located in the Staten Island (N.Y.) Shopping Center, site of an existing 20,000-sq.-ft. Pergament unit. According to chain president Murray Pergament, the store should be ready for occupancy "sometime next spring." It's uncertain how much of the store Pergament will use. The existing Pergament store will be closed and relocated to the new site.

NEW HECHINGER GMM. Sally A. Courtney is settling into her new post as general merchandise manager for the 31-unit, $170 million Hechinger chain, Landover, Md. She will be responsible for all merchandising at Hechinger's and will report to executive vp Phil Mansfield, who previously held the gmm position as well.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Forest giants' profits crash; recovery eyed

(Continued from page 1)

British Columbia (*NHCN*, Aug. 3), which virtually shut down its Canadian subsidiary in July and August.

While third-quarter sales were roughly even with those of last year for Boise Cascade, International Paper, and Weyerhaeuser (thanks to diversification efforts), earnings were down sharply nevertheless across the board.

Net income fell 58% at No. 1 ranked Georgia-Pacific, to $31 million, despite a 10% increase in third-quarter sales to $1.4 billion, compared to a year ago. Boise Cascade's earnings fell 37%, to $18.5 million on third-quarter sales of $781.5 million. IP and Weyerhaeuser reported 24% and 27% third-quarter earnings declines to $54 million, and $50 million, respectively, on sales of $1.27 billion, and $1.09 billion.

"The question now," says Hal Airington, vice president of wood products sales for Georgia-Pacific, "is whether the recession will remain a shallow dish, [affecting only a few industries], or ultimately overflow into the whole economy."

Richard Reagan, a director of planning and administration for Weyerhaeuser, expressed similar uncertainty.

"Unlike the recessions of the previous two decades, the period in front of us is the most difficult to forecast of any we've encountered. A lot depends on how the financial markets unfold under deregulation."

Strategic planning remains a tender subject for most of the forest products giants. Assumptions only six months ago, that interest rates would slacken and that housing would begin to pull materials through the pipeline, beginning in the fourth quarter, have all been thrown out the window.

While the majority of economists and market planners for the forest industry are now assuming that the housing industry will produce about 1.4 million new homes next year, compared to about 1.2 million this year, just when business will begin to pick up is still a crystal ball affair.

"Everyone agrees there's lots of pent-up demand for housing," said a marketing manager for MacMillan Bloedel, Canada's largest lumber producer.

"It's our feeling that until mortgage money reaches the 15% to 16% threshold, we won't see any genuine growth in housing. The thrust of our [planning] is based on seeing when we'll reach that threshold."

That should happen in the second quarter of 1982, he predicts.

According to his projections, orders should begin to pick up at the end of the first quarter as the 16% mortgage rate threshold approaches, in anticipation of an increase in building activity the following quarter.

Once building activity does increase, though, he warned prices would "move up substantially—probably 20% in the second quarter."

Ted Patsuris, director of sales and market planning for Champion International's building products division, contends that interest rates will not be the only factor in determining when housing will begin to recover.

Consumer confidence will play an increasingly important role, he said, particularly as the Federal Government cuts back on social service and public project funding.

He, along with George L. Pearson, senior vice president of timber and wood products, at Crown Zellerbach, believe the housing market won't begin to roll again until the third or fourth quarter of 1982.

Dick Rose, a product manager for Georgia-Pacific, and Jerry Griffin, director of corporate communications for Louisiana-Pacific, see activity picking up in the second quarter, following a very slow first quarter.

One sentiment seemed broadly based at all the major lumber producers: interest rates are not likely to drop very far next year.

"I don't believe you'll get fixed-rate mortgages much below 14% or 15% ever again . . . or at least in the foreseeable future," said Griffin at L-P.

Southwest Forest Industries, which owns Knox Lumber and Dunlap's, "does not foresee the prime rate dropping below 16% in all of 1982," according to Ed Wren, vice president of public affairs.

The lack of housing, however, is not the only problem facing the forest industry.

High interest rates have inadvertently put an unrelenting squeeze on the industry's growing export market.

Foreign investors, anxious to capitalize on higher returns available in United States dollars, have driven up the dollar's value nearly 25% over foreign currencies since 1979. Timber and lumber exporters, as a result, have had to cut their delivered prices abroad by almost the same percentage, in order to stay competitive against Swedish and Asian suppliers.

Moreover, unlike in previous recessions, when world housing markets tended to lag behind building cycles in the United States, steep housing slumps are occurring simultaneously here, in Japan and Europe, further curbing demand.

Softwood log exports for the first seven months of 1981 are down 39%, compared to the same period last year, to 1.4 billion board feet, while softwood lumber exports declined 21%, to 1.2 billion board feet, according to the National Forest Products Assn. Except for softwood plywood exports, which are up by 45%, to 237 million sq. ft., it appears United States wood products exports will decline for the first time in five years, in 1981. Anticipating long term growth, most of the large lumber producers are having to keep to their multibillion dollar capital improvement plans, in spite of the dip in business.

While the falloff in housing has meant a proportional gain in softwood lumber consumption by the remodeling and repair market—from 19% of all United States consumption in 1978, to 25% this year—perhaps the most significant impact of high interest rates is the new reliance on two-step distribution. Spokesmen at Georgia-Pacific, Champion International, MacMillan Bloedel and Southwest Forest all report that sales at their wholesale distribution centers are up by as much as 10% from last year, or at least relatively even, while direct shipments to the large retail customers are down proportionally.

Even chains like Wickes, Saginaw, Mich., and Lowe's, North Wilkesboro, N.C., are finding the savings on carrying costs justify the added cost of dealing with wholesale distributors, observed one spokesman.

L-P's Jerry Griffin was one forest industry representative who asserted that the proposed cutbacks in Federal housing supports by the Reagan Administration, and the likelihood of smaller houses being built once the industry gets rolling again, all bode very well for the DIY retailer.

"Compared to the quality available in newly built houses, people will prefer to expand their existing homes using the equity they have in their house," Griffin said.

"A lot of habits will have to be broken, painfully," he said, "You'll see less mobility. Individualism will rise."

That will only help the consumer-oriented building material retailer, he said.

U.S. softwood lumber consumption by market and source 1978-82

(Figures in million board feet and market share)

MARKETS:	1978	1979	1980	Est. 1981	Proj. 1982
Residential Construction*	18,573 (44.8%)	15,827 (40.5%)	11,639 (36.4%)	10,700 (34.5%)	12,440 (37.5%)
Other New Construction	6,134 (14.8%)	6,318 (16.2%)	5,668 (17.7%)	5,650 (18.2%)	5,720 (17.2%)
Repair and Remodeling	7,940 (19.2%)	8,041 (20.6%)	7,788 (24.3%)	7,755 (25.0%)	7,900 (23.8%)
Material Handling	4,652 (11.2%)	4,939 (12.7%)	3,916 (12.2%)	3,900 (12.6%)	4,000 (12.0%)
All Other	4,145 (10.0%)	3,916 (10.0%)	3,001 (9.4%)	3,000 (9.7%)	3,150 (9.5%)
TOTAL	41,444	39,041	32,012	31,005	33,210
U.S. Sources	29,603 (71.4%)	27,932 (71.5%)	22,472 (70.2%)	21,755 (70.2%)	23,310 (70.2%)
Imports	11,841 (28.6%)	11,118 (28.5%)	9,540 (29.8%)	9,250 (29.8%)	9,900 (29.8%)

Source: Western Wood Products Assn.; NHCN chart

**Estimates are based on 1,200,000 conventional home starts and 260,000 mobile homes during 1981, and 1,400,000 conventional starts and 290,000 mobile homes in 1982.*
Note: Virtually all imports are from Canada.

Consumption of softwood lumber for remodeling and repairs is expected to increase only modestly next year, to 7.9 billion bd. ft., on the assumption that DIYers will postpone larger projects, like room additions.

Stambaugh's

(Continued from page 2)

didn't have the capacity for private label," he said. "It just so happened that it offers a private label program, is willing to ship us through central distribution, and has an overall point of sale approach which suits us."

That "approach" includes planogramming each of Stambaugh's plumbing departments, and improving in-store marketing with more explicit how-to instructions on the packages being tied to POP literature and signing.

"Franklin understands us and the home center industry," Senne said. "It realizes that the most important thing in selling plumbing is giving a customer as much installation information as possible."

When the program finally gets under way, such products as toilet and faucet repair kits, traps, drains and compression fittings will be displayed on a 28-ft. gondola, 72-in. high. These new fixtures will replace the 54-in. high gondolas the chain has been removing over the past year from its units.

Surprisingly, Stambaugh's has not as yet installed a private label program for faucets, which has been successful for a number of chains around the country, though it is planning to do so in the future.

"When the best source for faucets offers the best private label program, that's when we'll make the change," he said. "The same holds true for our fittings. We want our plumbing departments to have some uniformity and consistently, but not at the expense of changing the way we do business."

Diamond

(Continued from page 1)

"pick and choose" locations but could not and bowed out, observers noted.

Evans Products apparently wanted to do the same but Evans officials admit to only a limited interest now. "We have been aware of the availability of the Moore Handley stores for some time," a spokesman said. "Right now, our interest is limited."

An insider said, "We have been told the top candidates are three building material companies which have no locations in the Southeast and are not sophisticated in terms of computers.

"Union Camp has kept everyone in the dark. We've just heard that if one of these three companies makes the purchase, everything will remain status quo."

As for Moore Handley's other businesses, Union Camp is reportedly set to sell them to a New York investment firm. A source said that deal is also estimated to be in the eight-figure range.

Last year, Moore Handley's reported operating profits fell 16% from 1979 to $3,478,000 on a sales gain of 3% to $171,659,000. The wholesale business turned in what Union Camp called "an excellent year," but there were declines in business at Homecrafters.

In Union Camp's third quarter which produced modest increases in sales and earnings, president and ceo Peter J. McLaughlin attributed the company's favorable results to its basic paper and paperboard operations. Aggregate earnings from its nonpaper businesses, including those dependent on new housing, in the quarter were down.

An observer noted, "They can get 17% to 20% return on paper business but only 8% return, and 12% in a good year, on retail."

Correction

Sutherland Lumber, Kansas City, Mo., was inadvertantly omitted from the 1981 Census chart of the top 100 chains (*NHCN*, Oct. 26). Sutherland is estimated to do $220 million in 1981 from 71 outlets in 21 states. Eighty per cent of its sales are from consumers making its DIY dollar volume of $176 million No. 13 on the chart.

Expansion is blocked at Yankee

(Continued from page 3)

with the zoning law—such as how far a building must be from the road—but has no power to waive the 50% catastrophy clause.

Irwin was stuck.

"I could put the money in for a new building, with a new warehouse, but if I were to lose it in a fire, or some other disaster, I wouldn't be able to rebuild," says 51-year-old Irwin.

As a last resort, Irwin took his dilemma to the townspeople of Wilton, with a full page ad asking residents: "Please help us to decide our future in Wilton," in bold headline lettering.

The ad outlined Irwin's situation, emphasized that the decision would affect all residents (who would have to go to other towns for their building material needs if Yankee closed), and requested them to mail in a coupon with their advice.

Seven hundred replies came in (from 390 households) supporting Yankee's expansion, according to Irwin; one reply came in against it.

Even the *Wilton Bulletin*, observing Irwin's plight in the paper's own advertising, ran an editorial in favor of a zoning variance as being in the best interest of the town.

At a midnight vote, however, on the night of Sept. 14, the Board of Appeals collectively voted against the variance.

The stumbling block, as it turned out, was the hard line being drawn by John Johnson, a five-year resident of Wilton who lives across the street from Yankee Lumber, and who also holds an influential vote on the Planning and Zoning Commission in Wilton.

While several members of the commission, and the board of appeals, have voiced their support for granting variances to Irwin, Johnson's negative vote has prevented final approval.

Johnson, who owns a True Value hardware store 35 miles from Wilton, maintains the route in front of Yankee Lumber cannot handle the traffic it has now, let alone what would follow from Yankee's expansion.

With the prospects of a $15,000, two-to-three-year legal battle that would probably have to go to the state supreme court, Irwin is now seriously having to explore the possibility of tearing down Yankee Lumber, and replacing it with a three-story office building.

He's also looking for property in adjacent towns to relocate Yankee's business.

Either way, sighs Irwin, the people of Wilton end up being the losers.

High interest rates nix dealers' cut in expenses

WASHINGTON—Lumber and building materials dealers remain trapped in the "Catch 22" of borrowing only half as much for operational expenses this year as they procured in 1977, but paying twice as much in interest.

A recent statistical analysis compiled by the National Lumber & Building Materials Dealers Assn. shows that interest costs are but one of the many problems plaguing the 469 dealers surveyed. A full 24% of them will show no profit in 1981.

Interest paid per $1 million of sales has escalated 96.3%, from $7,508 to $15,324, over the last four years. According to the survey, this increase comes at a time when dealers have cut their financing by 50%.

However, over the same time period, dealers have maintained inventory levels at a fairly constant rate.

There has been a 5% inventory jump per $1 million of sales, from $172,246 to $175,928 between 1977 and 1981, and, more important, a 10.2% increase over 1980's $159,529. As the survey noted "optimism prevailed and, in hindsight, no one had any insight that [the] prime would escalate and stay at its present levels."

In addition, payroll costs have gone up slightly in anticipation of "better sales, continued inflation and company competition in the major market within various areas," according to the survey's text.

Over the last four years, total payroll dollars per $1 million of sales rose 4%, from $113,084 to $118,034. However, since 1980, payroll expenses jumped 10.6% from $106,707.

Consequently, profitability has been diluted by operational, inventory and other outlays. Pretax profit from operations per $1 million of sales plummeted 35.4% from last year to $30,741 in 1981.

There has been a decided shift in the product mixes of the dealers surveyed away from contractor sales and slightly more toward the consumer.

The customer mix as a percentage of sales showed contractor business sliding from 51% to 46% between 1978 and 1981. By the same token, the consumer portion of sales rose two percentage points, from 31% to 33%, over the same period.

A more pronounced consumer increase was visible in the Western States, according to a survey conducted by the Western Building Materials Assn., Olympia, Wash., which served as an addendum to the NLBMDA's analysis.

The 70 lumberyards participating in the WBMA's study reported that consumer sales composed 52% of their total volume this year, with contractor business dropping to 43%, and the rest coming from commercial sales.

The NLBMDA's survey goes on to give a rather detailed financial and operational break-

(Continued on page 49)

Work gloves, axes and wood-cutting accessories get a woody display on this endcap at Chase-Pitkin, Rochester, N.Y.
NHCN photo

Profile of NLBMDA members

	Survey total (in millions)	Mean (add 000)	Totals per Unit (add 000)
Cash Sales	445.5	1,122.2	439.4
Charge Sales	1,045.0	2,632.3	1,030.5
Total Sales	1,490.5	3,754.5	1,469.9
Gross Profit	395.8	997.0	390.4
Total Payroll	176.0	443.3	173.6
Interest	22.8	57.5	22.5
Advertising	11.3	28.5	11.2
Inventory Average	75.9	191.4	74.9

Source: NLBMDA's Business Management Committee survey of 397 member firms, operating 1,014 units. NHCN chart.

Private label plumbing program on tap at Stambaugh's 17 units

YOUNGSTOWN, Ohio—When Don Senne decided to install a private label plumbing program in all 17 Stambaugh-Thompson units, he was looking for more than just chain identification with a particular product category.

This month, Stambaugh's 450 sku's of carded plumbing will bear its logo and be supplied by a single vendor, Franklin Metal Products, Fort Washington, Pa. This is approximately 30% of a 1,700-sku department that does $3 million in retail sales chainwide.

However, while Senne, Stambaugh's general merchandise manager, said he was a "firm believer" in private label merchandising as a way of connecting the product to a store in the customer's mind, in plumbing he felt it was a different story.

"Once plumbing is out of the carton or the box," he explained, "the private label doesn't mean much and, product wise, there's little difference in what any manufacturer offers."

He made it clear that the conversion to private label plumbing had more to do with the overall program Franklin presented.

"In reviewing our product assortment, we found we weren't strong in visual presentation in plumbing, and the six vendors who supplied us were far too many," Senne said.

He expressed satisfaction over the marriage between the chain and new supplier, particularly in the amount of assistance Stambaugh's has received.

"We would have converted to Franklin's program even if it

(Continued on page 50)

Starts decline 1.7% in September

WASHINGTON—The effects of high interest rates on new home construction took their greatest toll on the North Central United States in September, according to latest Commerce Department figures, which showed September nationally to be the third worst housing month on record.

The rate of new home starts in the North Central Region plunged 25%, to 113,000 units, compared to August, based on the actual construction of 12,400 new homes. The rate was 60% below the 281,000-unit level posted in September 1980.

The sharp monthly drop in the region, combined with an 8% drop in the West, offset 16% and 5% gains in the Northeast and the South, respectively, bringing the national rate down by 1.7% to 918,000 units. The September total eclipsed the previous recession low, set in August, of 934,000 units, making September the third worst month on record since the Government began compiling housing statistics in 1959. The latest rate is surpassed only by the February 1975 recession low of 904,000 units, and the record low of 844,000 set in October 1966.

The rate of single-family home construction in September, meanwhile, bounced back slightly from August's record-setting low of 598,000 units, to 615,000 units. However, the Government reported the rate at which single-family home building permits were issued declined 9% in September, to 448,000 units, half of the previous September rate, of 884,000 units.

"It's not going to be any slight recession," warned Michael Sumichrast, chief economist for the National Assn. of Home Builders, referring to President Reagan's concession late last month that the economy was in the midst of "a slight, and I hope, short recession."

Pressure on the housing industry is taking on new proportions, however, as the rate of mortgage delinquency and foreclosures has risen markedly in the past three months to near 1974-75 levels.

The rate of delinquencies—payments more than 60 days past due—was up to 0.99% of mortgage loans outstanding in August, compared to 0.92% in July and 0.86% in June. In normal periods, the rate is usually between 0.6% and 0.7%. The rate peak in the 1974-75 recession was 1.06%, in February 1976.

September housing activity

Data for actual starts and permits;
Bold numbers in parentheses are seasonally adjusted annual rates

	STARTS			PERMITS		
	September Starts in 1,000's	% Change from August	% Change from September '80	September Permits in 1,000's	% Change from August	% Change from September '80
Northeast	11.7 (124)	+ 4.0 (+16.0)	−32.0 (−31.0)	9.1 (89)	−14.0 (−23.0)	−35.0 (−36.0)
North Central	12.4 (113)	−14.0 (−25.0)	−60.0 (−60.0)	11.1 (102)	+ 9.0 (− 6.0)	−58.0 (−58.0)
South	43.7 (486)	+ 4.0 (+ 5.0)	−27.0 (−27.0)	40.7 (434)	+12.0 (+ 1.0)	−40.0 (−41.0)
West	16.8 (195)	− 7.0 (− 8.0)	−46.0 (−45.0)	19.6 (219)	+ 7.0 (+ 3.0)	−45.0 (−45.0)
Total Housing	84.5 (918)	− 1.0 (− 2.0)	−39.0 (−38.0)	80.5 (844)	+ 7.0 (− 2.0)	−44.0 (−44.0)
Single Family	55.5 (615)	− 1.0 (+ 3.0)	−42.0 (−40.0)	40.9 (448)	− 8.0 (− 9.0)	−49.0 (−49.0)

Source: Department of Commerce; NHCN chart.

The rate of single-family home starts in September rose slightly from August's record low; the rate of permits, however, declined 9%. Home starts' sharpest decline was in the North Central States while permits fell hardest in the Northeast.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 7, No. 23 November 9, 1981

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THE ASTONISHING STORY BEHIND THE GREAT KORVETTES CHAIN

MORE THAN THEY BARGAINED FOR: The Rise and Fall of Korvettes by Isadore Barmash

On Christmas Eve 1980, the lights went out forever in the few remaining stores of the once proud, pioneering 58-store Korvettes chain.
What happened? Lots of answers have been given. But here for the first time are the behind-the-scenes facts—a gripping story of conglomerates, mergers, big capital, and foreign takeovers.
This book is must reading for every retailer and entrepreneur who know that to understand the reasons for the success—and also the failure—of a giant like Korvettes is to understand American enterprise itself.
Isadore Barmash is Assistant Financial Editor and retailing specialist for *The New York Times*.

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Aggressive Yule tool promos

(Continued from page 3)
diately, and we've arranged to have selected products packaged in Christmas-type boxes, or as kits."

On the other hand, power tools will not be placed in any advertising, although they will be displayed prominently in the Ernst units. "We've seen a softening in power tool sales, and feel that ad money can be better spent on the hand tools that have more gift potential," said Herrin.

Several tool sku's will be promoted as "stocking stuffers" by in-store tags that will be on most of the items in Ernst's tool departments. Herrin added that, because the chain would be emphasizing the gift concept, savings of 20%-50% could be found on selected tool products.

He anticipated substantial sales volume from tools this Christmas and expected to clean out all the inventory the chain bought for the season. "ICE—Inventory Control Enforcement—is being stressed throughout the company because of the cost of borrowing money, and this will be even more important because of the added stock we've taken on for the holiday sales," he said.

Another chain looking to thin out its tool inventory by Jan. 1 is the six-unit Lumberjack Stores, Sacramento, Calif.

"We have a huge tool inventory of about $500,000, and fully expect to be very lean by year's end," said buyer Lyle Gregory.

Lumberjack also starts its Christmas tool promotion on Thanksgiving and will be running large ads every week up until the season ends.

It will also run a special Christmas catalog insert, featuring 50 power tools (out of 300 sku's) and 1,000 hand tools (out of 3,000 sku's).

"We put bows and garland around the tools we've featured in the catalog," Gregory said, "and we've designed endcaps suggesting these tools as gifts. Plus, we sell old-fashioned wooden boxes at cost, with the lumberjack logo on the side, for customers to place these tool gifts in."

Gregory insisted that price reductions were less important to Christmas tool sales than "getting the gift idea across to customers. That makes sales."

As dealers rev up their promotional campaigns, there are still more than a few who are saying "Bah, humbug."

"Customers are concerned with buying gifts at Christmas, and gifts do not equal home centers to most of them," said Bob Drumm, vp-merchandising for the six-unit Kindt chain.

Drumm said that Kindt has tried to sell all merchandise during the Yule season, but with little success. "With tools, we've tried 'buy one, get one free' sales, and we've tried giving Christmas trees away with any $75 purchase. It doesn't work."

He also noted that customers were simply ignoring the chain's Christmas advertising. "When you run a two-color, full page ad with a green Christmas tree running down the middle and still get no response, your customers are trying to tell you something."

He also noted that because Kindt has no trim-a-tree section, it was difficult to get the Christmas gift idea across.

The 35-unit Wolohan Lumber, Saginaw, Mich., has also stopped doing any seasonal promotions of tools, and instead will push bathrooms, vanities and other product lines the chain is strongest in.

"Tools are not one of our big categories," said director of merchandising Harold Erskine. "And it makes little sense for us to try and advertise them as gifts. No matter how festive a mood they're in, customers aren't interested in buying tools, or much else for that matter, from us at Christmas."

C.P.S.C. to survey impact of UF insulation ban

WASHINGTON—Consusumer Product Safety Commission regulators will launch a nationwide telephone survey over the next few weeks to measure the competitive impact of the agency's pending ban on ureaformaldehyde (U.F.) foam insulation.

The commission asked for public comments on the proposal last February, but after six months of sifting through industry and consumer reaction, C.P.S.C. officials said they need "more detailed information" on competitive implications from insulation contractors.

The phone poll will be limited to approximately 100 contractors who will be asked to provide specific information on "the number and type of installations, the revenues derived from these installations, the extent to which substitute insulation materials may be used, and the potential for firms no longer installing U.F. foam insulation to again enter the market."

The survey is consistent with President Reagan's request that Federal agencies reconsider pending major regulatory actions in terms of their economic costs as well as their potential benefits.

C.P.S.C. proposed outlawing the sale of U.F. foam insulation to curb what agency regulators called "the unreasonable risks of chronic and acute injury associated with the product because of the potential release of formaldehyde gas."

High interest rates nix cuts

(Continued from page 2)
down of the dealers questioned.

For instance, the 469 dealers operate 1,104 units, doing a mean store sales average of $1,469,952, with $439,363 in cash volume.

Of the dealers' total, only 30 companies are doing more than $10 million in sales, with the greatest amount—98—garnering between $500,000 to $1 million. The mean average years in business equaled 3.7, and the average dealer has 2.35 units

One hundred and thirty-eight dealers still employ the FIFO method of accounting, 104 use LIFO, 43 use the "Average" method, and 193 base inventory worth on Cost/Market.

It is also interesting to note that the mean percentage of types of sales shows that 76.14% still are on a credit basis, despite the high cost of "carrying" customers from any period of time. Only 1.67%, though, are from credit card sales, and 22.2% of business comes from cash and carry.

Another sign of hard economic times can be gleaned from the lack of expansion among dealers. Only 72 of the 469 companies have opened a new outlet over the last five years and only 220 have done any remodeling of older units during the same time period.

The mean percentage of a typical dealer's product mix reveals a high profile in lumber and building materials, although hardware and paint are playing a more important sales role. Lumber comprises 34.69% of sales, building materials 21.74%, millwork 12.44%, hardware 10.08%, and paint and sundries 5.59%. The remainder was divided among components, hard lines, floor and wall covering, appliances and farm equipment.

There are also some telling figures when mean averages between the total number of dealers surveyed and the top quartile (99 firms) are compared.

For instance, return on sales for the total was 2.06%, whereas for the top quartile (a majority of which are located in the mid-Atlantic States) the mean is 9.16%.

Asset turns between the two categories was pretty much equal (2.22 to 2.69), as was gross profit (a mean of 27.24% as compared with 28.19% for the top quartile).

But earnings as a percentage of total assets varied widely, with the mean for the total being 9.15%, whereas the top quartile's was 25.95%.

Sales per payroll dollar were slightly higher for the top quartile than the total, 10.45% to 8.68%, although inventory to current assets was lower, 48.76% to 52.51%.

Contest boosts Hill-Behan

(Continued from page 3)
claw hammer, a 25-ft. Lufkin steel tape, four carpenter's pencils and a "deluxe" simulated leather work apron.

"We didn't really know what [dollar] limit to put on the kit" originally, Behan said; the $150 mark was reached by concensus.

"We thought we'd be mobbed by customers just buying $150 or $160 worth of lumber," in order to qualify for the carpenter kits. Instead, "we're getting $250 and $300 sales," said a surprised Behan.

He noted that since full page ads first broke in the local papers Sept. 24, his 10 stores had already given 250 of the kits away. The ad, which featured treated lumber, fencing, siding, timbers and porch flooring, with the emphasis on outdoor projects, ran twice in New Orleans' major daily paper, *The Times-Picayune/The States-Item*, and in each of 14 community newspapers.

"We're definitely selling a lot of treated lumber," said Behan, who was unable to actually specify how much lumber had been sold.

"Although with the price of lumber today," he noted, "we have to sell a lot of lumber to make any money."

FUTURES

Two weeks ended Oct. 16, 1981

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Nov.	148.50	133.00	133.30	143.70	1,870	239.60	130.60
Jan. '82	160.30	144.40	144.60	155.70	2,568	245.00	139.20
March	172.30	158.00	158.20	167.30	2,042	247.50	152.80
May	183.00	164.50	166.40	179.20	1,355	216.00	159.60
July	192.40	174.10	175.50	189.00	536	224.50	168.50
Sept.	197.20	184.00	183.00	194.00	287	229.50	175.80
Nov.	196.50	184.00	185.00	192.80	136	224.50	180.00
PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Nov.	174.80	161.90	162.70	173.20	932	237.00	159.50
Nov.**	190.30	180.50	181.50	189.20	701	236.00	175.00
Jan. '82	180.10	168.00	168.20	177.60	1,065	232.00	165.00
Jan.**	198.00	187.50	188.70	196.50	528	244.00	183.00
March**	205.50	195.80	196.20	203.50	254	252.00	189.00
May**	212.60	202.70	203.00	211.00	200	241.00	196.00
July**	217.50	209.50	209.50	217.00	75	213.50	203.00

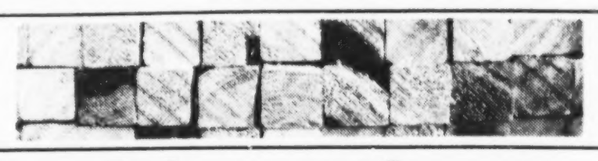
**Revised contract: western plywood

Total Volume (Through 10/15): 4,733 — Previous Two Weeks: 4,356
Total Open Interest (As of 10/14): 3,601 — Previous Week: 3,292
Cash Price: $174.44 — Previous Week: $175.42 — Year Ago: $209.72

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	269.7	272.0	325.9

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Oct. 15.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT



Bargain prices should continue

By Hawk Furman
Special to NHCN

The next three months should continue to bring exceptional bargain prices in lumber and panelboard products. Lumber is a free market commodity and price is primarily determined by the relationship of supply to demand. In the past 20 months, supply has exceeded demand and prices have fallen.

The price of western white spruce 2x4 random lengths standard and better in September 1979 was $266 per 1,000 board feet F.O.B. the mill. The price in September 1981 was $146 per 1,000 board feet. On a 70,000-board-feet carload of lumber, this represents a drop in value at the mill of $8,400 per carload.

What lies ahead . . . demand for housing has never been greater but affordability is the key. The National Assn. of Home Builders states that at a 12% mortgage rate, 7.9 million families can afford to buy a home in the United States, but at a 17% rate under 1.8 million families can qualify to purchase a house. Today's mortagage rates average 17%. Mortgage rates will not fall soon.

Paul Volker of the Federal Reserve Board says he will continue to keep the money supply tight. Washington has no intentions of bailing out housing. H.U.D. Secretary Samuel Pierce Jr., recently stated, "We don't have a particular program to stimulate the housing industry, and we do not intend to start one."

Hawk Furman is sales manager of Furman Lumber in Boston

Murray Weidenbaum, chairman of President Reagan's Council of Economic Advisors said no special effort to boost housing will be made by the Administration at present, but home building should improve as the President's economic plan for spurring the whole economy takes effect.

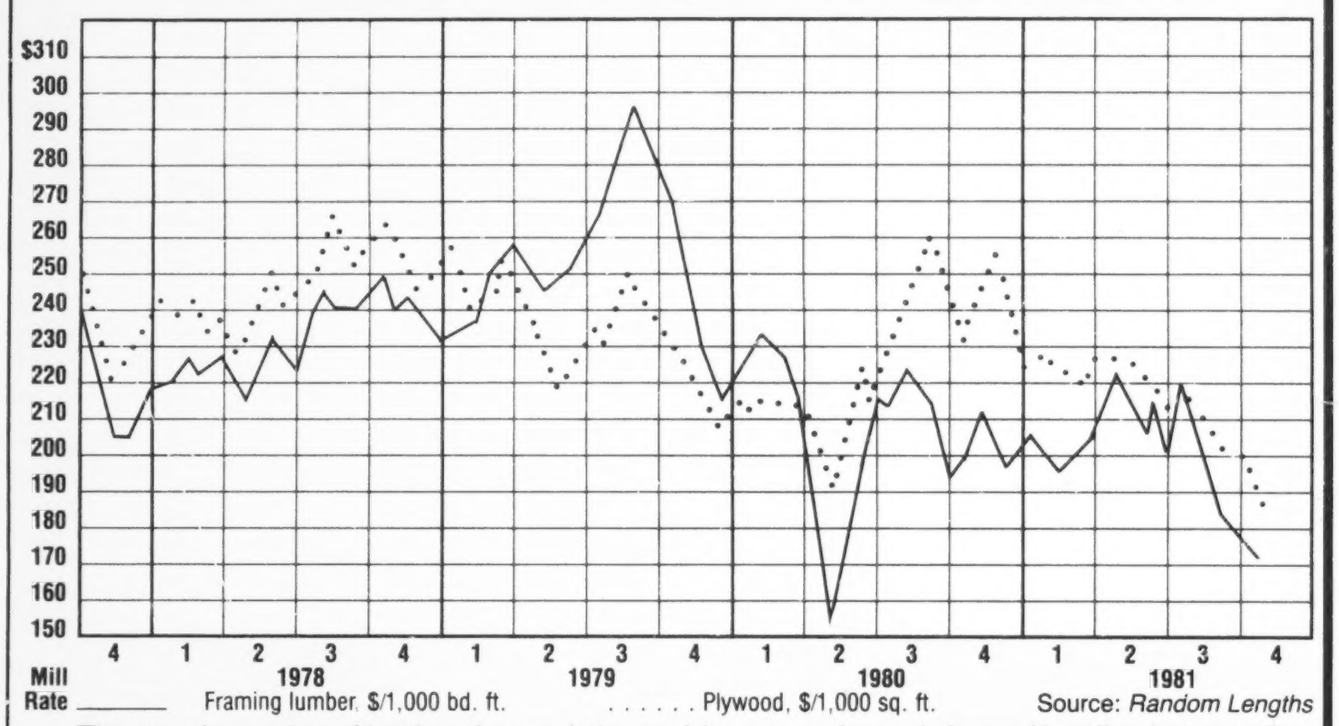
The primary mortgage lenders, the Savings and Loans, have been clobbered and are just starting to sort things out.

The "All Savers' Certificate" allowing tax-free interest of $2,000 on a joint return should help the banks get back on sound ground. The tax benefit expires after 1982 so the Savings and Loans will cautiously reinvest the funds from the "All Savers' Certificate." We will have to wait and see how much of these additional funds will filter down into home mortgages.

Lumber retailers are not too

(Continued on page 47)

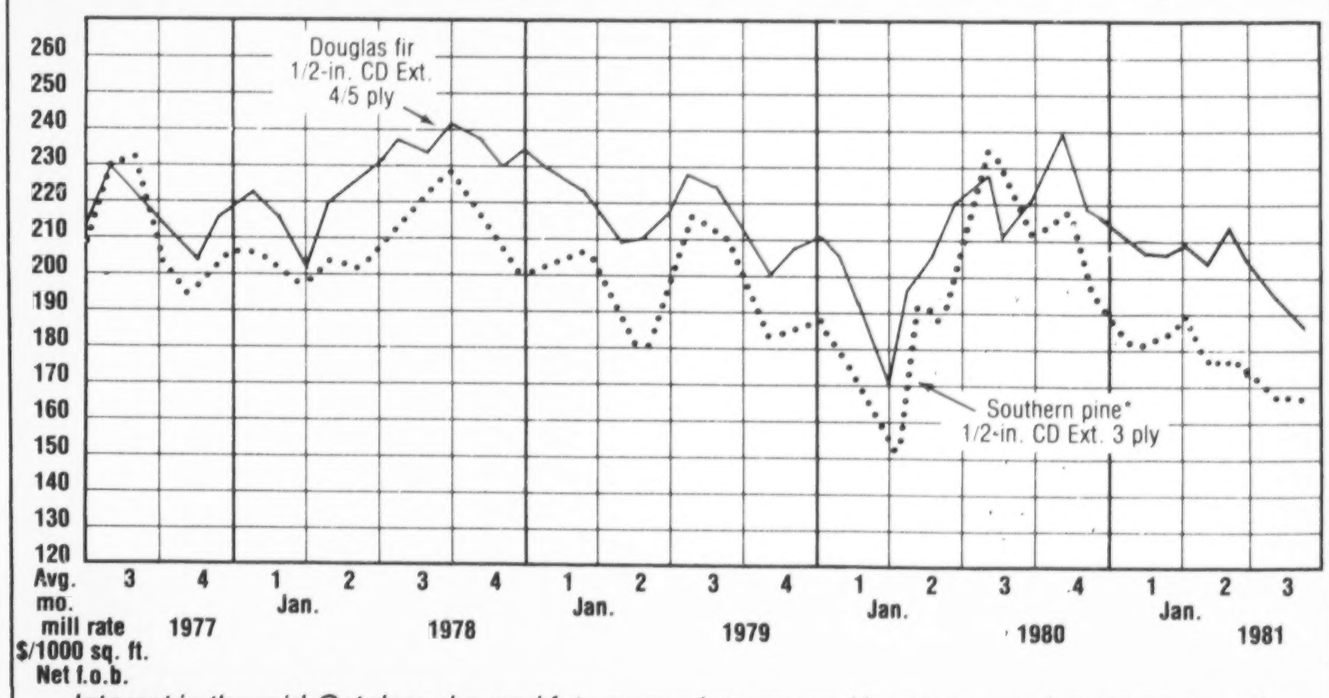
Composite lumber/plywood price profile



The steady erosion of lumber demand since midsummer showed signs of leveling last month. Current levels of demand, however, continue to squeeze even curtailed mills to post reluctant closure signs as prices reach critical break-even points. (Mill closures in the West jumped from 148 to 187 in the first two weeks of last month, with another 252 curtailed.)

Plywood prices, meanwhile, among wholesalers tended to be as competitive as direct mill shipments, spawning some fill-in action among the chains, but little firming of demand. Composite price levels, as of Oct. 16, settled to $172 for framing lumber, and $189 for plywood, based on Random Lengths weighted averages of nine key framing lumber, and seven key plywood items.

Commodity close-up: Western & Southern Plywood



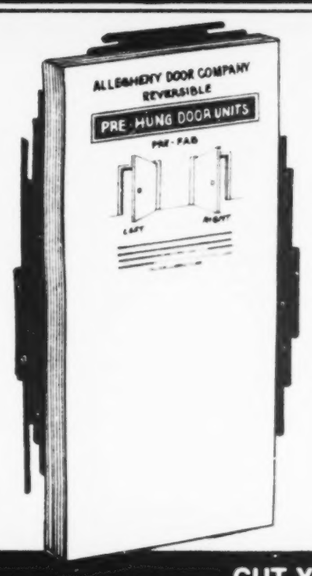
Interest in the mid-October plywood futures market, spurred by some new long term speculation and a firming in other futures markets, helped solidify producers' asking prices for the first time in weeks, particularly for Western 4/5 CDX ½-in. October's average price for the commodity appeared headed for the $179 mark, based on preliminary figures from Random Lengths.

Southern 3-ply producers, meanwhile, managed to curtail production enough to meet spotty demand, but not without a steady increase in mill closures. Westside mills averaged a $167 price in September, with October's estimated average showing signs of slipping $2 to $5.

*Western Zone: Tex., La., Ark.

Source: Random Lengths

REVERSIBLE PREHUNG INTERIOR DOORS



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The Hechinger unit in Harrisburg, Pa., was ready for the fall planting season with an ample supply of six different types of fertilizer. NHCN photo

Bargain prices will continue

(Continued from page 36)

optimistic. The Northeastern Retail Lumbermens Assn. took a survey of its members this summer. The projections for the next seven months by responding dealers are shown in Figure 1.

The outlook for increasing lumber demand in the next three months looks poor.

Supply will determine lumber pricing near term and the Canadian producers hold the key to balancing supply with demand. United States' mills have adjusted quickly to the lack of demand and have curtailed production.

Louisiana Pacific has closed 15 mills temporarily and nearly every major producer in Idaho and the Pacific Northwest and South has closed mills or curtailed production. Lumber production in Oregon is the lowest since 1945.

The Canadian producers have two major advantages over the United States manufacturers. They operate on flexible stumpage cost. The Government adjusts the cost of stumpage to reflect market conditions. They also have a favorable exchange rate. They sell most of their lumber to the United States for United States dollars which currently gives them 18% gain on foreign exchange.

The Canadian producers with a significant curtailment of production could put the supply position in better balance with demand and lumber prices would rise. Higher labor costs as a result of the recent woodworkers settlement in British Columbia may cause some cuts in production. Yet if history is repeated, the high lumber production in Canada will continue and lumber will remain at bargain prices in North America.

Figure 1

Dealer projections for the next seven months

	Home Building	Commercial/Industrial	Repairs/Improve
Very good	3%	12%	51%
Fair	33%	63%	44%
Poor	64%	25%	5%

Source: Northeastern Retail Lumbermens Assn.

Store operations and the bottom line

(Continued from page 46)

companywide basis, or in more manageable and meaningful breakdowns by region, district, type of store, or even by individual stores.

Let us assume that the variance report of 10 stores categorized as "urban-high volume" shows that nine of the stores are 15% below plan in the hardware department, but one store is 50% below plan. Merchandising would use this information to alter its plan for this aggregate of stores, but store operations could make use of that information to determine why that one store is so far below the others in the group. Store operations could try to find out why a single store, serving the same clientele in the same category is so out of line with its counterparts. Store operations could look into areas such as deliveries, mishandling of goods due to poor or insufficient help, theft, or poor display. Perhaps the poor performance can be explained by something as simple as emergency maintenance done in that area of the store, making goods inaccessible.

Whatever the reason, if store operations can determine it, then a remedy can be tried, or at least an explanation can be given. The key is that peer ranking will help promote corrective actions by the store management responsible for the store that is performing poorly.

Creating dialogue

We have tried to demonstrate how improved store performance can be initiated through the competition generated by peer ranking. By highlighting performance in terms of ranking, healthy dialogue may be spurred between store operations and merchandising. Store managers, for example, may now have documentation on which to challenge buying decisions that negatively affect performance in their stores. This dialogue can result in a more compatible blend of merchandising and store operations objectives, that ultimately can only help the company performance. In other words, store operations will have more involvement in planning.

Store operations and merchandising planning

In each of the reports mentioned thus far, there is a measurement of performance made against an expectation. These expectations come, for the most part, from the six-month merchandise plans which are created in a top-down manner. In this plan, beginning of the season dollar department objectives are established. Actual results are then measured against this plan to determine progress, and to make revisions where necessary.

While merchandising constructs these six-month plans with a close look at past performance and future trends, store operations can offer much helpful input, adding the bottom-up element to planning. Only the stores can interact directly with the customer and can measure his preferences on a store-by-store basis. Only store operations can provide the human, intangible insights that come from the day-to-day contact with the people on the floor.

Store operations management, therefore, can be and should be aligned closely with merchandising in the bottom-up planning, measurement and reaction phases of the organization.

Need for training

For store operations managers to read these reports intelligently, and to become involved in their creation, they must first be trained effectively. They must understand the measurement process and how they can react positively to indicators of poor performance. They must also be shown how they can influence performance in the planning stages.

Once this kind of reporting system is implemented, and store operations management becomes more involved in the total company mission, improvements in bottom line results cannot be far behind.

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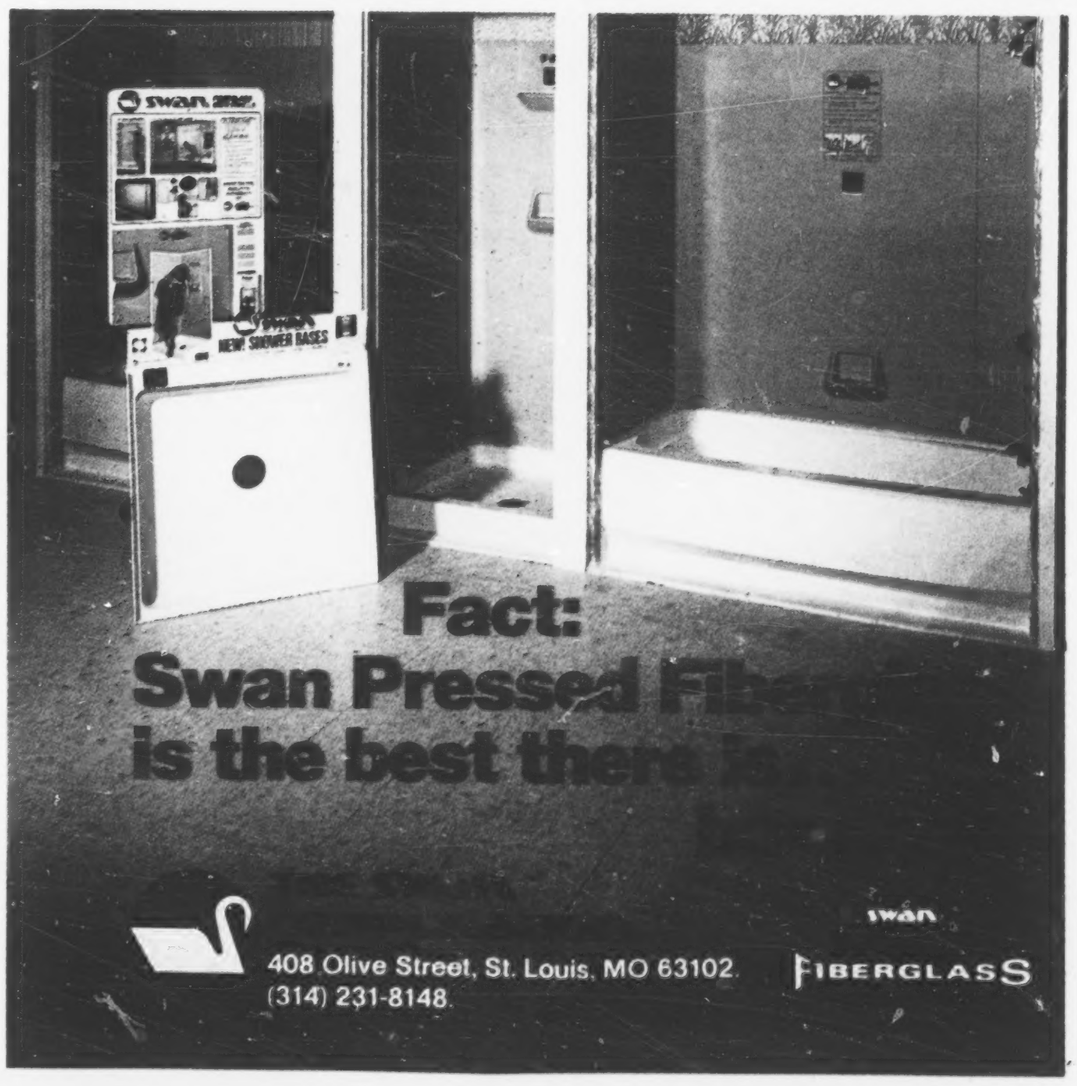

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	9/30-3rd qtr.	$781,480	$764,110	2	$18,470	$29,310	-37
Lowe's	9/26-4 wks.	70,300	72,100	-3	—	—	—
Scotty's	9/26-5 wks.	26,448	23,899	11	—	—	—
	9/26-1st qtr.	69,909	60,608	15	2,130	1,955	9

*$ in thousands

Boise net drops 37% in 3rd qtr.

BOISE, Idaho—Boise Cascade's building materials businesses, including its 96 retail stores, continued to suffer from a depressed housing industry in the third quarter and recorded a loss for the period as well as a modest loss for the first nine months of the year, company officials said.

Overall, the company saw net earnings fall 37% in the third quarter to $18,470,000 on a sales gain of 2% to $781,480,000 as compared to the same period last year. Figures for the building materials businesses were not disclosed.

Outlook uncertain

Boise Cascade's chairman and ceo John B. Fery called the outlook for the rest of the year and the early part of 1982 "uncertain at best" because of high interest rates which have stymied housing starts. He expects the building materials business to remain unimpressive while inflationary expectations keep interest rates high.

"The nation's current economic problems are having what we believe is a temporary impact on the forest products industry," Fery said. "While we are not optimistic about immediate improvement, we do expect to see significant progress in the economy sometime in 1982."

STOCK PRICES

Companies with predominant home center sales

	As of 10/7	As of 10/14
Lowe's (NYSE)	19	20
Payless Cashways (NYSE)	20	18¼
Scotty's (NYSE)	20⅞	19¾

Over-the-counter stocks

	As of 10/14 Bid	Asked
Erb Lumber	11¼	12
Hechinger	16¼	16½
The Home Depot	12⅝	13
Pay 'N Pak	13⅞	14⅛
Wolohan Lumber	3⅜	3¾

Companies with significant home center sales

	As of 10/7	As of 10/14
Action Industries (AMEX) [Action Home Centers]	3⅛	3⅜
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	8½	9
Boise Cascade (NYSE)	36⅛	31½
Cyclops (NYSE) [Busy Beaver]	30¼	29¾
Diamond Int'l (NYSE)	29¼	29¾
Edison Brothers (NYSE) [Handyman, Homer's]	27⅛	26¾
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	20¾	21⅜
Forest City (AMEX)	13⅞	14½
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	41⅜	40⅜
Interco (NYSE) [Central Hardware]	48½	48¼
Peavey (NYSE) [Fish, Peavey/Thunderbird]	22¾	24
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	17⅛	16⅝
Supermarkets General (NYSE) [Rickel]	17½	18
Union Camp (NYSE) [Homecrafters]	48½	48
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	12⅜	12¼

Over-the-counter stocks

	As of 10/14 Bid	Asked
Dart Drug	10¼	10½
Hines Lumber	18	19½
Pay 'n Save [Ernst, Von Tobel's Yard Birds]	22½	22¾
Sunset Industries [Handy Andy]	1⅝	2⅝

Home Depot's stock posts strong gains in 1st month

ATLANTA—The Home Depot has developed into an early star on an otherwise lackluster stock market.

In the first month since its issuance, the six-unit chain's stock grew steadily from an original offering price of $12 per share on Sept. 22 to a bid price of $13, asked at $13½ on Oct. 20. The following day, the stock jumped to a bid price of $15, asked at $15¼.

Good marketing of the stock and its limited float are prime reasons for its strong growth, according to Don Cornstein of broker Bear, Stearns.

"Part of the story is the very effective marketing message presented by the company," he said. "In comparison, it was also not a very large offering [600,000 shares] and the existing preferred stockholders used the proceeds from the redemption of their stock to buy about 150,000 to 200,000 shares of common.

"That left the public float at 400,000 to 450,000 shares. With strong institutional interest in the stock, it hasn't left that much float for the after-market demand."

The original offering of 600,000 shares, 400,000 from the company and 200,000 from stockholders, was a sellout and produced $4.1 million in net proceeds to the company after expenses. The company received only the proceeds from the shares it offered.

The chain plans to use the proceeds along with $3.5 million of long-term bank credit for its expansion into Miami/Fort Lauderdale where two of four proposed units debuted Labor Day weekend, redemption of preferred stock, leasehold improvements and furnishings at new corporate headquarters in Atlanta, and computer software (*NHCN*, Sept. 14).

Third-qtr. sales rise 15% for Florida power Scotty's

NEW YORK—Scotty's board chairman James W. Sweet told Wall Street analysts that the Winter Haven, Fla., chain is in the dominant position in the Florida building supply market, with 84 stores.

Sweet told the group Scotty's is "sitting right in the middle of Florida's population boom." The state's population increased 41% between 1970 and 1981 to 9,600,000.

Harold W. Taylor, senior vice president and chief financial officer, told the group sales for the third quarter ended Sept. 26 were $69,908,831, a 15% increase over third quarter 1980 sales of $60,607,773.

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and jelly stocks and bonds rock and roll
Jack and Jill corned beef & cabbage
nuts and bolts sales and profits

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Kitchen/bath roundup . . . pp. 19-21

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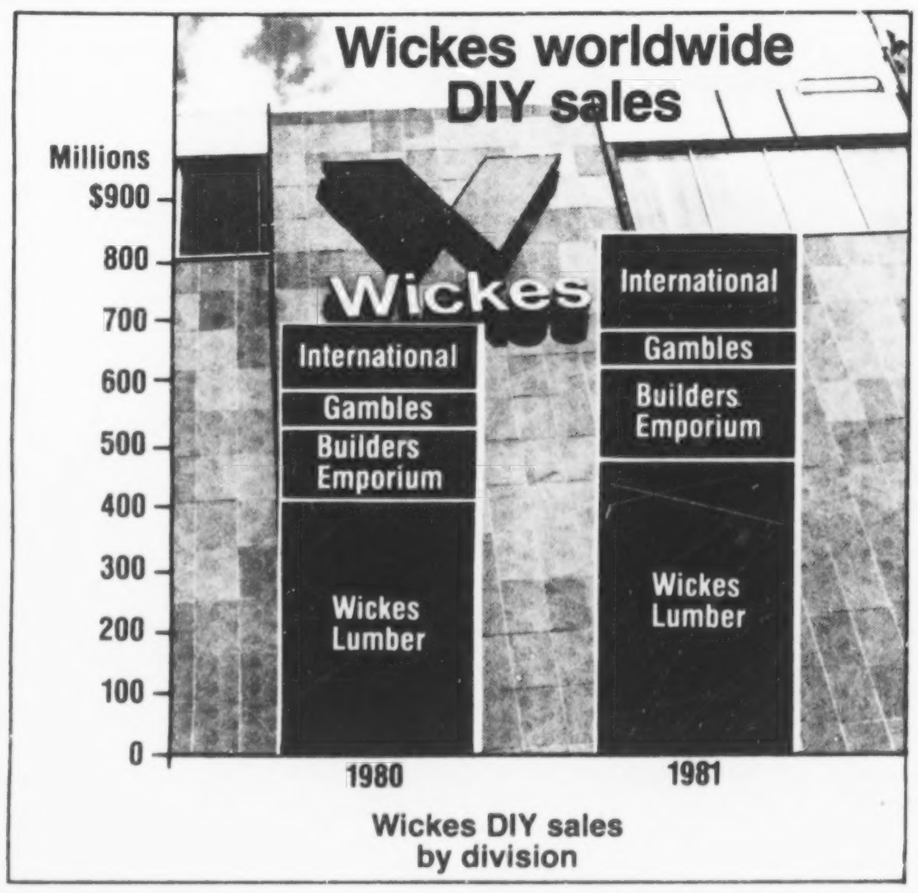
National Home Center News®

Vol. 7, No. 24 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • November 23, 1981
$7 per year $2 per copy



Dutch deal is dead; Grace, Dreesmann terminate talks

NEW YORK—The deal is off.

W. R. Grace and Vroom & Dreesmann B. V. have mutually agreed to terminate negotiations on acquisition of Grace's retail operations, which included $810 million worth of home center sales.

Considered one of the more spectacular acquisition efforts in the home center industry when the agreement in principle was announced last February, Grace and Netherlands retail giant Dreesmann apparently found there "were a number of things" which pulled the two parties apart.

Grace and Dreesmann officials won't say what led to the demise of negotiations, but a Grace spokesman made it clear the company was "not looking" for another partner to invest in its 467 retail units, which include home centers, jewelry stores, western wear and sporting goods outlets.

A Dreesmann official, however, did say the $4 billion Netherlands retailer was "still interested" in seeking United States acquisitions.

The original agreement chairman J. Peter Grace and vice chairman Charles Erhart made with Anton C. R. Dreesmann, chief of Vroom & Dreesmann, was a five-year buy-out of 50% of Grace's retail group (*NHCN*, March 2), excluding its Diana women's shops.

The deal was to net Grace at least a cool $250 million, which was to be pumped back into its fast-growing energy business.

Dreesmann or Grace would also have the option to purchase a crucial, additional 1% of the

(Continued on page 30)

Overseas sales put Wickes in top DIY spot worldwide

SAN DIEGO—With W. R. Grace holding the No. 1 spot in United States DIY retailing, Wickes Cos., the $4 billion corporation, is the No. 1 home center retailer in the world, according to *NHCN* estimates.

With international sales of some $150 million, the Wickes home center group is expected to reach sales of $810 million this year, up 12% from the approximately $725 million in worldwide DIY sales in 1980.

Wickes Lumber, the 278-store division, is expected to contribute $463 million to the total, according to adjusted figures (*NHCN*, Oct. 26), while 62-unit Builders Emporium will contribute $182 million. Wickes' 10 Gamble Home Centers will contribute approximately $15 million and its 70 store international division will have sales close to $150 million.

Although Wickes Cos. has additional hardware sales through its Howard Bros. and franchised Gamble stores, its strictly home center sales of $810 put it at the top of the field. Grace's home center group is expected to have total sales of $769 million this year.

According to revised figures, Wickes United States DIY retailing group will bring in $660 million, putting them ahead of No. 2 Evans Products with retail DIY sales of $614 million.

Last year, Wickes' lumber division contributed sales of $418 million.

Ex-franchisees plot strategy

PMI puts emphasis on fashion

ROCHESTER, Minn.—PMI, the company formed Sept. 1 from 44 Plywood Minnesota franchise stores, is taking steps to establish an image as a fashion-oriented chain.

New buying practices have led to an increase in high-end merchandise for PMI stores as well as lower costs to the retailers on some items.

A Minneapolis advertising agency is expected to have a name for the neophyte company by next spring. Plywood Minnesota is seen as misleading.

"People think we're lumber-related and we're not," said PMI president George Scheer. "It makes it more difficult to sell fashion-related items. Most of our stores don't even carry plywood."

Prior to PMI's formation, some store operators had been dissatisfied with Plywood Minnesota's pace in adding expensive, decorator merchandise. There is a feeling now among franchisees that the desired changes are happening.

"Scheer is constantly calling and asking for ideas," said Bob Jerger, part owner and manager of the Eau Claire, Wis., store. "Everyone's involved. Before we felt like pawns."

Merchandise changes are most apparent in window treat-

(Continued on page 30)

NEWSBREAKS

AFFILIATED PRESIDENT RESIGNS. E. G. "Al" Sickman has resigned as president of 22-unit Affiliated Home Centers, Kansas City, Mo. Sickman will remain in the home center industry, where he is "exploring opportunities." No replacement has been named.

SALES TICKER. . . . Scotty's sales for the four weeks ended Oct. 24 were $22.8 million, up 9% over last October. . . . Erb Lumber's third-quarter sales increased 3% to $33.4 million, net income decreased 19% to $744,000. Income has decreased 45% at Erb in the first nine months. . . . Edward Hines lost $1.6 million in the third quarter on sales of $70 million, which equaled last year's figures.

Exclusive NHCN interview

Brand brings business savvy to H.U.D. post

W. Calvert Brand was recently appointed Deputy Assistant Secretary for Policy and Budget in the Department of Housing and Urban Development. Prior to his appointment, he was president of Brands Inc., a building materials and lumber firm he founded in Columbus, Ind. Active in both the state and national programs of the building materials industry, he is a former president and chairman of the board of the National Lumber and Building Material Dealers Assn.

The following interview was conducted by John Friedman, Washington correspondent for National Home Center News.

NHCN: What are your main duties in your new job?

Brand: They include development of the budget for housing—one part of H.U.D. Also I have a major responsibility for developing policy. We respond to legislative proposals. We provide information to the public and evaluate programs. Economic analysis is another area of responsibility.

NHCN: Why did you decide to join the Government?

Brand: This may sound a little self-serving, but I agreed to join H.U.D. because I feel I meet the standards President Reagan has set for the kinds of people he wants to get involved in Government: somebody who knows the field and is not looking for a job.

I'm making a financial sacrifice to be here. I am also making some personal sacrifices. But I'm here because I believe if we are going to accomplish the objectives of the Reagan Administration, which I think are sound, people are going to have to make some sacrifices.

NHCN: Our readers are, of course, concerned about the housing industry. What is your prediction?

Brand: I can't predict what is going to happen but I can talk about some of the things we are concerned about and are trying to do something about.

I think the most important thing that must happen is we must see a real acceptance and commitment to the President's economic program. It took 25 years of bad management of the economic side of Government to get us to the point of extremely high inflation and extremely high interest rates. Unfortunately, the housing industry gets impacted more severely than any other industry in the country by high interest rates.

To correct that we must have the Government and the private sector work toward getting Federal spending under control, and getting the intrusion of Government into business under control.

NHCN: What specifically are you doing at H.U.D. to help the housing industry?

Brand: There are a number of things that we are doing that because of the timing I simply can't talk to you about. We are under an administrative em-

(Continued on page 4)

'The key is to give us some time to get the money back into the hands of the people through the tax cut.'
W. Calvert Brand, Deputy Assistant Secretary for Policy and Budget, H.U.D.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Mfrs., dealers join forces to attract fall energy biz

TOLEDO, Ohio—Home centers are employing creative promotional techniques to reach that "second wave" of customers who put off buying energy-saving products until the fall.

Joint advertising promotions with manufacturers of insulation, weatherstripping, caulking, storm windows and related items include NFL football game pennants, energy-saving product centers and DIY clinics.

Owens-Corning Fiberglas, based here, was approached by the people at Somerville Lumber, Somerville, Mass., and sold on the idea of producing and distributing 20,000 New England Patriots pennants at a nationally televised football game Sept. 21, in support of a four-week "Energy Savings Spectacular" sale.

One side of the pennant read "New England Patriots/Instructions: Wave After Every Patriot Score" and the other side read "Don't Miss The Big Somerville/Owens Corning Energy Savings Spectacular Going on Now Thru Oct. 10th."

"I didn't attend the game," commented Mel Cohen, co-owner of Somerville Lumber, "but I sure did see thousands of pennants being waved on television!"

Somerville ran a full-page ad six times in the two principal Boston newspapers to promote the sale, which began Sept. 14. The first ad appeared in the Home and Garden section of the *Boston Globe* (circ. 740,000) on Sept. 13 and was repeated in the *Globe* sports section on Sept. 17.

On Sept. 20 the same ad in tab size ran in the *Sunday Boston Herald* (circ. 350,000) sports section and was repeated in the *Herald's* edition of Sept. 25. The tab sized ad ran again in the Sept. 27 *Globe* Home and Garden section and finally in the Oct. 1 *Globe* sports section.

Ad copy read in part: "Somerville and Owens-Corning Join Together to Bring You This Great Energy Savings Spectacular." The ad mentioned Somerville's DIY clinics on how to insulate and to save energy and invited readers to meet an Owens-Corning representative and talk with certified insulation experts.

The four-week sale resulted in the biggest volume week in the store's history, according to co-owner Harold Cohen, with

(Continued on page 30)

Chase-Pitkin, Rochester, N.Y., puts the Pink Panther on display in a main aisle of its store.

FTC's Miller: We'll relax ad substantiation efforts

WASHINGTON—Declaring "there's no free lunch," James Miller 3rd, the new chairman of the Federal Trade Commission described the direction his agency will take in the next few years in remarks to the press and Congressional committees.

Miller explained plans to move away from FTC enforcement of ad substantiation. Such efforts, he noted, add to business costs that are passed on to consumers.

He suggested that the FTC hurts consumers when it tries to restrict the sale of shoddy or unreliable products.

In the transition team report that he prepared for the new administration, Miller noted that "imperfect products" should be available because "consumers have different preferences for risk avoidance," and "those who have a low aversion to risk—relative to money—will be most likely to purchase cheap, unreliable products." Although the FTC will not pursue ad substantiation enforcement, it will enforce laws against fraudulent and deceptive ads.

Miller also said that the commission, under his direction, will not be as concerned with resale price maintenance and other distributional restraints, such as exclusive territories. He added that distributional restraints often improve competition.

The only time such restraints concern him, he said, is when they lead to horizontal price fixing.

He pointed out that he had "doubts about certain vertical activities the commission has been engaged in in the past. . . ."

Discussing Government policy toward industrial mergers, Miller described three types of mergers: horizontal, involving direct competitors; conglomerate, involving firms with dissimilar interests, and vertical, involving firms with a buyer-seller relationship.

Horizontal mergers, he said

(Continued on page 6)

Personnel, ads seen vital

Chains fear tool rental role

NATIONAL REPORT—Worries about maintenance and liability continue to keep home centers from cashing in on the healthy tool rental business.

Despite a down economy, the rental industry grew by 18.4% last year, according to the American Rental Assn., Moline, Ill.

With few exceptions, such as Inner Harbor Lumber and Hardware, Baltimore, tool rentals in home centers are done on a small scale and as a customer service rather than a profit maker. Some chains even loan tools.

"On first impression a rental department seems like a fantastic way to pick up more revenue," said Bill Staford, merchandising manager at Ole's, Pasadena, Calif., the 14th ranked home center chain in DIY business. "But then you weigh other factors like the space, inventory, maintenance and liability involved."

Inner Harbor has rented tools for three years, since the firm's inception. Manager Bob Heffner agrees there are problems in operating a rental department but argues that it is profitable.

"The key is good personnel," he said.

Inner Harbor has an employee whose main responsibility is tool rental and maintenance.

"You've got to have the space, advertise the department and maintain it," Heffner said. "We're not afraid to give the service."

Inner Harbor is located near the Baltimore waterfront in an area of great inner-city home renovation. The tool business originated with the sale of caustic solution for cleaning building exteriors. The procedure requires high-pressure water blasters.

Blasters are still carried along with about 50 other tools, from floor sanders that rent for $30 per day to small hand tools that may carry a daily fee of $3 compared with a purchase price of $5 to $10. A customer may choose to rent rather than buy a low-priced tool because he would probably use it only once, Heffner said.

"You make your money on your less expensive items," he said.

Markups on tie-in sales are

(Continued on page 6)

The tool rental department at Inner Harbor Lumber and Hardware, Baltimore, has proven successful. Less expensive items, often carried in inventory anyway, are most profitable. NHCN photos

PGL 1-day show generates $3M

AUBURN, Wash.—Although sales and attendance were down somewhat from last year, the ninth annual Palmer G. Lewis Buying Show's Wild West stampede theme provided a strong buying forum for the 1,300 attendees of the one-day fall event.

"We predict sales of over $3 million by the time back orders are filled and final orders are written," said Richard E. Lundgren, PGL president.

To play up the Western theme, suppliers wore cowboy boots, hats and Levis. A top display was an 1895 desert coach once owned by an uncle of PGL founder Palmer G. Lewis. Horses and burros were in evidence among the straw in the 150,000-sq.-ft. warehouse. A Western-style barbecue added to the festivities.

"We try hard to make it a fun show, not just row after row of 8-ft. x 10-ft. booths with suppliers eager to leap on retailers," said Charles D. Lauber, vice president and PGL promotion manager.

The 130-page Buy Show Catalog offered savings on over 70 product lines.

The PGL advertising and promotion booth offered a tabloid promotion service, including a ready-made free tabloid in exchange for purchases.

Over 70 prizes were won by booth customers and buyers, with the grand prize of $1,000 and 25 shares of PGL stock going to Lacey Builders Supply of Lacey, Wash. Former Miss America Mary Ann Mobley and television personality Gary Collins appeared at the show, sponsored by Gold Bond Building Products.

The PGL 1981 Buying Show featured over 70 product booths and a Wild West stampede theme. It was held in the company's 150,000-sq.-ft. warehouse in Auburn, Wash.

INSIDE

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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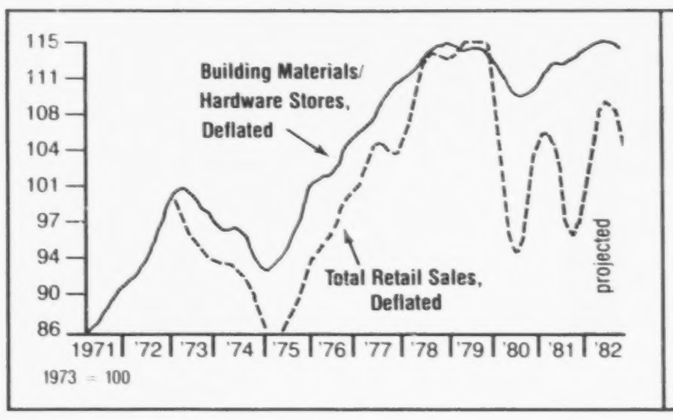
Vol. 7, No. 24 November 23, 1981

L/F ECONOCYCLE

See spring 'pickup' in DIY activities



Building Materials & Hardware

	Sales Change By Quarter '80 1Q %	'80 2Q %	'80 3Q %	'80 4Q %	'81 1Q %	'81 2Q %	'81* 3Q %	'81* 4Q %	12-Month % Change '79 %	'80 %	'81* %
Sales include Inflation	7.2	8.4	9.4	1.5	8.4	15.2	7.8	0.6	12	3.2	8.0
Real sales (Deflated)*	2.6	17.6	18.5	10.4	1.2	6.0	0.5	6.1	4	12.0	0.3

Base = July 1981 Sales
*Projected

Recent braking trends in sales, coupled with major revisions in the latest Government statistics, now point to a slower rate of general sales velocity in 1981 overall than forecast previously.

Total retail sales will probably match or edge slightly above 1979-80 levels, the latest Econocycle computations reveal.

As a result, the L/F spending indicator (below) is also pegged lower than projected earlier in the year. But there still appear to be strong signs that consumer confidence—spiked by just initiated tax rebates—will pick up in 1982, at a steady, but slower rate-of-growth.

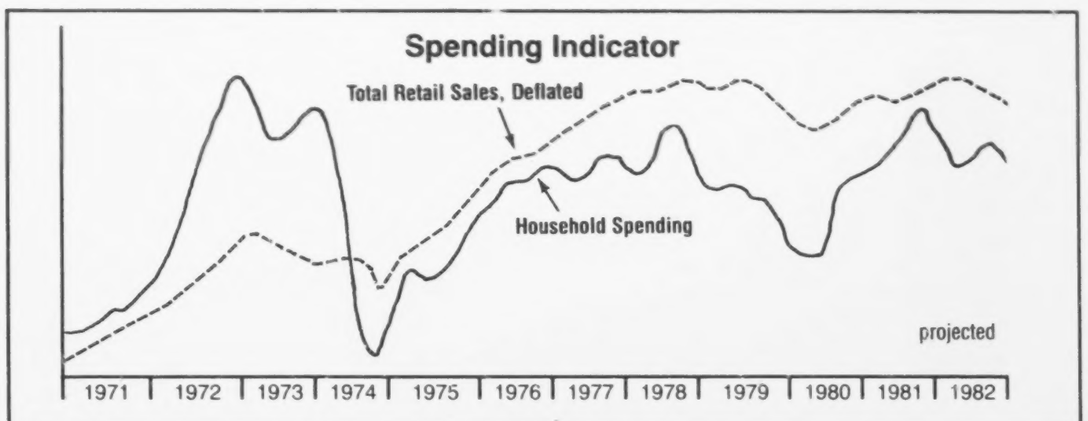
Total retail sales gains are expected to edge up about 2% over the next two months. This will depress the final quarter gains of 4% that were originally expected, according to the latest forecast computations.

The L/F Econocycle projection is for a slow recovery of general home improvement sales early next year. Sales activity could start nosing up during the winter months and may climb above 1977-81 peaks (but not to all-time '78-'79 highs).

This coincides with a rise in housing starts that's expected to pick up around mid-1982—a recovery L/F forecasts are now calling "comparatively sharp" and well through the year ahead.

This compares to other retail sectors where the short-term outlook continues "spotty" through the balance of 1981:

- Department stores should roll up a solid 3% to 4% increase through year-end; apparel specialists, 2%-3%.
- Discount store indicators, on the other hand, are softening, leading to a mild drop-off in the final period.


Spending Indicator
Total Retail Sales, Deflated
Household Spending
projected
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1980	1Q	9.4	11.0	10.2	7.2	11.9	10.5	3.3	9.1	8.1
	2Q	5.0	10.3	9.3	– 8.4	11.2	2.5	4.6	4.8	4.3
	3Q	5.9	11.2	8.3	– 9.4	10.3	1.0	4.3	4.3	3.5
	4Q	7.3	10.6	7.2	– 1.5	14.1	5.1	6.4	5.8	5.8
1981	1Q	10.2	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q*	9.4	8.7	9.0	7.8	7.9	2.7	7.3	9.4	7.5
	4Q*	7.4	7.6	7.1	0.6	4.5	1.6	5.5	6.1	5.0
% change 12 mos.	1979	11.0	12.0	13.0	12.0	11.0	15.0	6.0	9.0	10.0
	1980	7.0	11.0	9.0	– 3.2	12.0	5.0	5.0	6.0	5.0
	1981*	10.0	9.0	9.0	8.0	8.0	5.0	8.0	9.0	8.0

Real Sales (Deflated)
% Change By Quarter

1980	1Q	– 1.2	5.8	0.0	– 2.6	3.8	4.9	– 1.4	1.9	1.8
	2Q	– 5.0	4.9	– 0.1	– 17.6	2.0	– 3.4	0.5	– 2.4	– 2.0
	3Q	– 4.2	2.0	– 0.9	– 18.5	0.5	– 5.8	– 0.2	– 3.4	– 3.3
	4Q	– 2.9	– 0.6	– 1.8	– 10.4	3.9	– 1.1	1.5	– 2.0	– 1.1
1981	1Q	0.7	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q*	1.9	1.6	0.7	0.5	– 1.0	– 3.0	3.5	3.6	2.1
	4Q*	1.8	4.6	0.5	– 6.1	– 2.9	– 4.9	2.8	1.2	0.2
% change 12 mos.	1979	1.0	2.0	2.0	4.0	4.0	9.0	3.0	3.0	4.0
	1980*	– 3.0	3.0	– 0.7	– 12.0	2.0	– 1.0	0.1	– 1.0	– 1.0
	1981*	2.0	1.0	0.3	– 0.3	– 0.9	– 0.7	4.0	3.0	2.0

Base = July 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

Financier firms raise holdings in Evans, Diamond

NEW YORK—Two companies controlled by prominent financiers continue to raise their holdings in firms with home center interests.

Sharon Steel, run by Victor Posner, its president, chairman and chief executive officer, increased its stake in Evans Products, operators of Moore's, Grossman's, Lindsley, Alamo Enterprises and Hubbard & Johnson, to 41.9%. The company owns 5,170,200 Evans shares through the recent purchases of 477,700 shares for about $11.6 million.

A Securities and Exchange Commission filing indicated that Sharon Steel's acquisition of Evans shares is for investment purposes.

Cavenham Holdings, a subsidiary of Generale Occidentale S.A. of which Sir James Goldsmith is chairman and ceo, has hiked its interest in Diamond International to 40.7% recently by purchasing 1,645,828 shares of Diamond common at about $42 a share.

The purchases increase Cavenham's holdings in Diamond, which operates about 120 home centers nationwide, to 5,579,271 shares.

STOCK PRICES

Companies with predominant home center sales

	As of 10/21	As of 10/28
Lowe's (NYSE)	20¼	20¼
Payless Cashways (NYSE)	17¼	18¾
Scotty's (NYSE)	20	19

Over-the-counter stocks

	As of 10/28 Bid	Asked
Erb Lumber	11¼	12¼
Hechinger	16	16⅜
The Home Depot	15¾	16
Pay 'N Pak	13¾	14⅛
Wolohan Lumber	3⅜	3⅝

Companies with significant home center sales

	As of 10/21	As of 10/28
Action Industries (AMEX) [Action Home Centers]	3⅛	3
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	8⅞	9⅝
Boise Cascade (NYSE)	31⅜	31⅝
Cyclops (NYSE) [Busy Beaver]	29⅜	27¾
Diamond Int'l (NYSE)	29½	29⅞
Edison Brothers (NYSE) [Handyman, Homer's]	27	27
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	20⅝	20⅜
Forest City (AMEX)	14¼	14
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	44⅛	45¼
Interco (NYSE) [Central Hardware]	47⅝	48
Peavey (NYSE) [Fish, Peavey Thunderbird]	25½	24⅜
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	19⅝	18⅞
Supermarkets General (NYSE) [Rickel]	18⅝	18¼
Union Camp (NYSE) [Homecrafters]	47⅞	47½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	10¾	11

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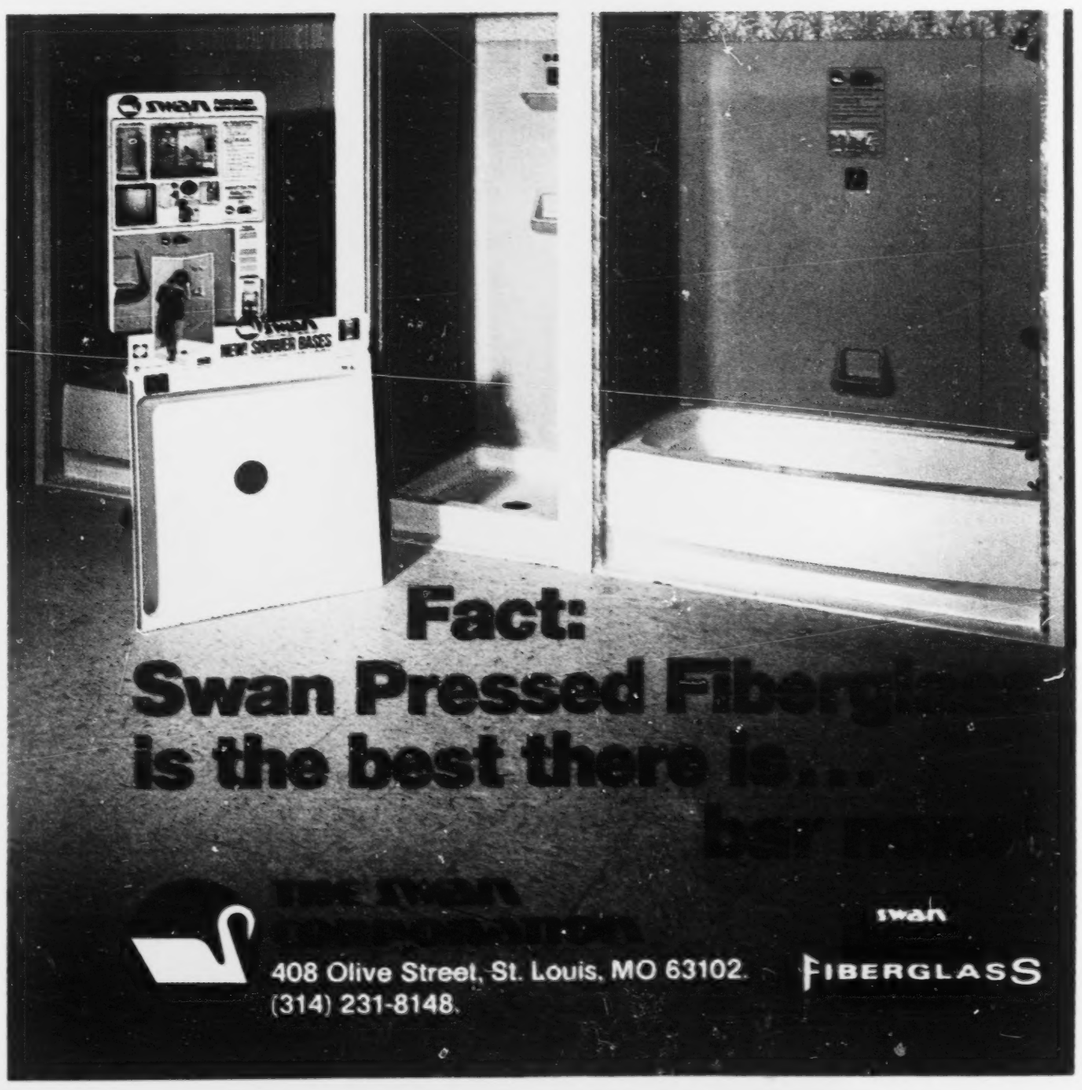

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National
Home Center News ®

Vol. 7, No. 25 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • December 7, 1981
$7 per year $2 per copy

Handy City shake-up: Lansdale in, Pliner out

Denny moves fast at W. R. Grace

By Wyatt Kash
NHCN executive editor

DENVER—Frank Denny is not a man prone to wasting time.

Within hours after learning Bob Pliner was leaving Handy City, Denny had tracked down Handy Dan vice president Daryl Lansdale in the suburbs here, to discuss the details of a new assignment in Atlanta.

Three days later, Lansdale had sold his home in Kansas City, and headed south to take charge of W. R. Grace's 53-unit Handy City operation.

Time, it would seem, is about the only thing Frank Denny may never be able to conquer. He's working on it though.

At the age of 47, Denny has survived from among a handful of home center industry founders to become president of the No. 1 ranked home center empire in the country—that of W. R. Grace.

He admits it still is a little difficult getting used to the idea that he is running what promises next year to be a billion dollar home center operation.

"It's always been a challenge to take on the next level of responsibility—to see if you can really do it," Denny said recently, thinking back on his climb through the management ranks of increasingly larger retail operations.

He began that climb in 1953, with the same hectic pace he maintains today: attending classes at night, while working for a lumber wholesaler, and later a millwork supplier, during the day.

After graduating from Rutgers University, Denny decided in 1958 he was tired of living in New Jersey, where he was born and raised, and opted to take his young family and head west to California.

For awhile, he bought close-out lots of lumber for Angels, which operated then as a discount outlet. Three years later, he had become partners with Angels' owner, Sid Klein.

From there, he moved rapidly, building Angels into a four-unit chain; working as a consultant with John Markley in converting an El Paso lumber yard into what is now the Cashway Home Improvement chain; and, during the past decade, rising to the top of Handy Dan, and its parent company, Daylin, before

(Continued on page 82)

Chain prez, 2 financial officers resign

ATLANTA—Handy City president, Robert Pliner, and two financial officers, have resigned suddenly, following questions over financial reports to Handy City parent, W. R. Grace.

Officials at Grace in New York immediately appointed Daryl L. Lansdale, a 41-year-old regional vice president of Grace's Handy Dan chain, to replace Pliner as president and chief executive officer of the 53-unit chain.

Replacing Harvey Masyr, vice president and chief financial officer at Handy City, is Thomas J. Klimback, 33, who had been serving as vice president, financial planning and analysis at Channel Home Centers, the 89-unit Whippany, N.J., chain also owned by W. R. Grace.

The duties of former comptroller, Wayne Landman, who also resigned, will be assumed by Wes Garvin, who remains manager of financial analysis, according to chain sources.

Meanwhile, Bob McNulty, who had left his Grace post as executive vice president of Angels to work on special assignment for the home center division (*NHCN*, Nov. 9), now has been reassigned to Kansas City, to take over for Lansdale.

The management shake-up at Handy City occurred when a recent review of the chain's financial reports showed an apparent failure to comply with internal Grace reporting procedures, according to Frank Denny, president of W. R. Grace's home center division.

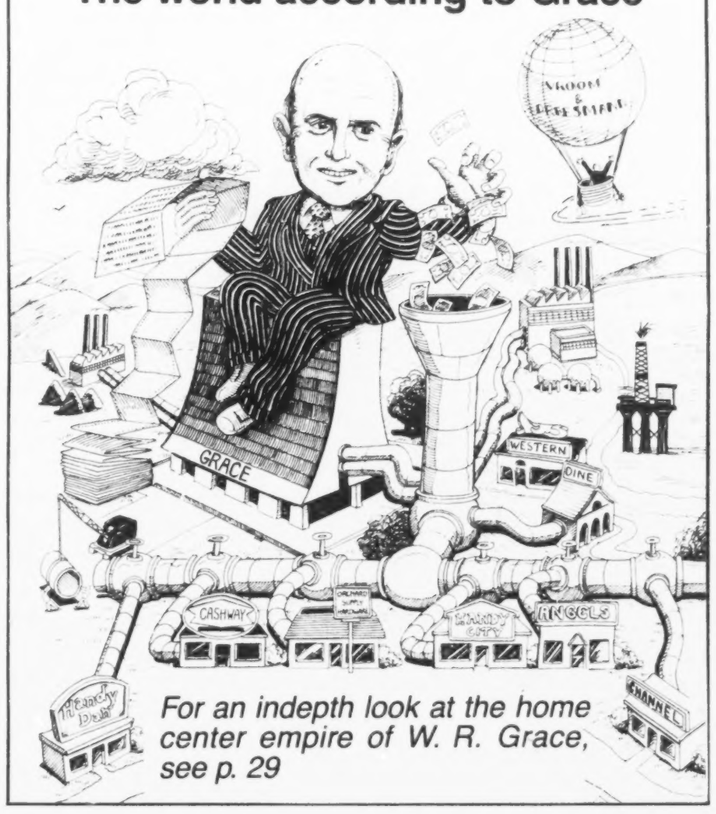
NHCN has learned from reliable sources that adjustments to correct the reports resulted in a greater pretax loss than had originally been reported for the chain last year.

Grace officials would not reveal any figures, but several sources close to Handy City concurred that the actual loss, before taxes, was close to $3.5 million.

An executive at W. R. Grace insisted the inaccuracies in the reports were in no way an attempt for personal gain, but rather the result of not adhering to Grace reporting guidelines.

(Continued on page 4)

The world according to Grace



For an indepth look at the home center empire of W. R. Grace, see p. 29

Daryl Lansdale, who was regional vice president for Handy Dan's Midwest stores, has been tapped by Frank Denny to replace Bob Pliner as president of Handy City.

imported tool mfrs. invade U.S.

By John Caulfield, *NHCN field editor*

NEW YORK—It's a subtle attack, but it's happening.

The consumer electronics industry began feeling it in the 1960's and 10 years later Detroit's auto makers began feeling it.

The change they felt was importing and in the power tool industry the wave of importers is already taking shape.

Although Black & Decker still controls a hefty 32% of the estimated $2 billion domestic power tool market, importers from Europe and the Orient captured some 17% last year, and that percentage is expected to grow. In 1976, imports accounted for only 11% of the market.

Despite the inroads overseas marketers are making, especially at the high-end and professional levels, the consumer power tool market is slowing down. Research shows that because of its slowed growth rate it will take 10 years for the market to reach $4 billion in volume.

(Continued on page 82)

Overstocked roofing mfrs. forced to close 16 plants

NATIONAL REPORT—It's raining on roofing manufacturers and few are weathering it well.

This year alone some 16 major roofing plants have closed, representing a two million ton drop in capacity in an industry that has produced an estimated 9.6 million tons of shingling this year, according to the Asphalt Roofing Manufacturers Assn., Washington, and industry sources.

With winter coming on, more roofing plants are earmarked for closing and the future will remain cloudy as long as only 55% of the some 82 million squares of shingles being produced domestically are being sold.

Price erosion has been one major contributor to roofing manufacturer difficulties. One major contributor to this problem is Canada, which shipped

(Continued on page 82)

NEWSBREAKS

HOME CENTER EXECS TEAM UP. Former Lowe's managing director John A. Walker has formed a business consulting firm with Handy City and Handy Dan founder George Hanzi and Zayre executive Steve Herman. The new Atlanta-based company known as HWH.

RETAIL OUTPACES BUILDER SALES AT LOWE'S. Although overall sales dropped 8% and earnings were down 30% for the third fiscal quarter at Lowe's, sales to retail customers were up 10% during this period, which ended Oct. 31. At the same time, builder sales declined 23% at the North Wilkesboro, N.C.-based chain.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

$39M purchase makes Woolworth largest DIY retailer in England

LONDON—With its recent $39.6 million acquisition of the 32-unit Dodge City chain, F. W. Woolworth—known for its general merchandise and discount stores in the United States—has become England's largest DIY retailer.

The $6.1 billion Woolworth, based in New York, bought Dodge City through its B&Q subsidiary, a 49-unit home improvement chain it purchased for $32.7 million in August 1980.

The Dodge City agreement is still pending approval by England's Office of Fair Trading, but if it goes through, it will give Woolworth a total of 81 stores with 2 million sq. ft. doing over $157.6 million in sales on the British Isles.

In addition, "Woolies," as it is known here, will have national coverage, with Dodge City strong in Scotland, Wales and northeast England, and B&Q operating mainly in the country's Midlands and southern regions.

Dodge City founder Richard Northcott is expected to pocket about $33.5 million if the sale transpires. He said that Dodge City has been profitable this year, although industry sources claim that its leverage situation has been strained by recent borrowing to finance its expansion efforts.

Woolworth's increased commitment to DIY sales will only serve to intensify competition in the $3.94 billion British home center industry.

Chain's like Sainsbury's Homebase, Smith's Do-It-All, Mr. Stanley and Fads, and a host of other independents, will battle Woolworth for a home improvement market share that is estimated to grow at an annual rate of 5% in the next few years.

The industry overseas mirrors that in the United States in one major respect, though: chains are being gobbled up by larger corporations.

Even Roger Pedder, managing director for Dodge City, recently expressed a fear of this trend when he stated that "the danger lies in the eventual development of three or four huge chains, each with the same stock ranges, the same presentation and the same policies, competing only through price."

Brookhart Building Centers' Christmas department features artificial trees under the watchful eye of Santa, who also supervises the games and stuffed animals sold only at Christmas time. NHCN photo

Three-piece legislation suits housing industry

WASHINGTON—As part of a three-piece plan to aid the depressed housing industry, Sen. Richard Lugar (R-Ind.) has introduced a bill that would give the F.H.A. additional mortgage and loan authority.

The proposed legislation would enable the Federal Housing Authority to experiment with new financing techniques such as five-year rollover mortgages and five-year security to finance the mortgages. The bill would also allow F.H.A. to insure new condominiums on a per unit basis for both homeowners and investors, and permit the F.H.A. to expand its insurance of loans on inner-city and older houses.

Earlier, Senator Lugar introduced a bill that would amend barriers preventing private pension funds from investing in mortgages. The final bill of the package, the Thrift Restructing Act, is expected to be announced shortly by the Senator.

Electronic ornament sales seen as bright light of Yule season

NATIONAL REPORT—For about two months each year, tools, floor coverings and lumber must give up some ground to evergreens, reindeer and cherubic angels, as home centers from coast to coast transform part of their selling floors into their visions of Yuletide delight.

The hottest new trend in Christmas retailing this season is the electronic ornament fad, according to Natalie Baker, buyer for Chase-Pitkin, Rochester, who began her Christmas planning last February.

This year the 12-unit chain is carrying several electrical items, including computerized musical light sets. She expects to be "saturated" with Christmas electricals "in another season or two," resulting in slashed margins.

Tony Clark of Busy Beaver, Blawnox, Pa., said that his 31-store chain was "well stocked" with the new musical/light combination sets. One type carried by Busy Beaver is capable of playing 21 tunes in harmony with multicolored lights.

The most important item in any home center Christmas department is, of course, the Christmas tree. At Chase-Pitkin's western New York stores, a customer can find up to 10 sku's of 2-4-ft., table-top trees, priced at $2.99-$13.39 and up to 14 sku's of 5½-7 -½-ft. trees, priced up to $179.

The table top trees are the biggest sellers numerically, Baker said, although the larger trees generate much more dollar volume. Many customers are buying the table top trees as second trees, she said.

Chase-Pitkin features up to 126 sku's of ornaments, divided into 15 themes including Early American, Night Before Christmas, Heavenly Chorus (inspired by a display at the Metropolitan Museum of Art) and Mickey Mouse. Many of the themes are unique Chase-Pitkin creations, Baker said.

Listed by Baker as must items for a western New York Christmas department are a 6½-ft. promotional tree, icicles (tinsel), promotional miniature light sets (4-leg tree stands for

(Continued on page 81)

October permits hit 22-yr. low

WASHINGTON—Despite signs that high interest rates are abating, declines in new home starts continue to forecast a bleak future for the housing industry and its suppliers.

October's 387,000-unit rate for single-family housing permits, was the lowest since the Commerce Department began keeping statistics in 1959.

Regionally, the rate of new home starts in the South plunged to 379,000 units, a decline of 51% from October 1980 and a 20% drop from last month, based on the actual construction of 36,600 new homes.

In the Northeast, the rate of housing starts was 97,000, down by 13% from October 1980 and a 24% decline from September's figures, based on the actual construction of 10,500 new homes.

The sharp drops in the two regions offset 31% and 14% gains in the North Central and West, respectively, bringing the national rate down by 7% to 857,000 units, the lowest rate since the 843,000 of October 1966.

A dire perspective on the housing market was offered by Michael Sumichrast, chief economist of the National Assn. of Home Builders.

Asserting that the housing decline was not yet over, he said that the industry produced only 3.7 housing units per thousand of population in October.

"Every industrialized nation runs between seven and eight," he said, "and Japan is up to 14 units per thousand."

On the bright side, association president Herman J. Smith said that many interest rates are starting to fall, which should result in increased personal savings, a crucial source of home-loan money.

"If these trends continue it could set the stage for a rebound in housing production and home sales by the middle of next year," Smith said.

It was difficult to find any silver lining, however, in October's cloudy permit figures.

Single-family housing permits, in setting the new record low rate of 397,000 units, were down by 12% from last month and 52% from October 1980, based on the actual total issuance of 35,500 permits.

Housing permits fell to a rate of 729,000, down by 14% from last month and 46% from October 1980, based on 67,000 issued permits.

In the South, permits were down by 23% from September and 46% from October 1980. The Northeast showed a 7% improvement over last month but a 26% decline from October 1980.

October housing activity

Data for actual starts and permits;
Bold numbers in parentheses are seasonally adjusted annual rates

	STARTS			PERMITS		
	October Starts in 1,000's	% Change from September	% Change from October '80	October Permits in 1,000's	% Change from September	% Change from October '80
Northeast	10.5 **(97)**	−13.0 **(−24.0)**	−13.0 **(−13.0)**	9.9 **(103)**	+ 1.0 **(+ 7.0)**	−30.0 **(−26.0)**
North Central	18.7 **(158)**	+42.0 **(+31.0)**	−44.0 **(−44.0)**	12.1 **(114)**	− 1.0 **(+ 3.0)**	−54.0 **(−53.0)**
South	36.6 **(379)**	−14.0 **(−20.0)**	−51.0 **(−51.0)**	29.4 **(330)**	−26.0 **(−23.0)**	−48.0 **(−46.0)**
West	20.4 **(223)**	+21.0 **(+14.0)**	−38.0 **(−37.0)**	15.6 **(182)**	−20.0 **(−16.0)**	−51.0 **(−49.0)**
Total Housing	86.2 **(857)**	+ 2.0 **(− 7.0)**	−44.0 **(−44.0)**	67.0 **(729)**	−18.0 **(−14.0)**	−48.0 **(−46.0)**
Single Family	47.5 **(487)**	−19.0 **(−25.0)**	−51.0 **(−52.0)**	35.5 **(397)**	−14.0 **(−12.0)**	−54.0 **(−52.0)**

Source: Department of Commerce; NHCN chart

The rate of new single-family home building permits fell to 397,000 units in October, the lowest level on record since 1959. New home starts fell to the second lowest rate on record.

Kash named new executive editor

Kash

NEW YORK—Wyatt Kash, *NHCN* associate and lumber editor, has been promoted to executive editor.

Kash, a graduate of Syracuse University, where he received his bachelor's degree in journalism, has been on the *NHCN* staff since February of 1980 when he joined the publication as field editor.

Kash became the newspaper's lumber editor early in 1981.

INSIDE

F. W. WOOLWORTH has become England's largest DIY retailer, p. 2. . . . **THE HOME DEPOT** adds two new stores in Florida, p. 3. . . . **THERMOSTAT** marketers may have outsmarted themselves, p. 4. . . . **BUSINESS HAS** a friend at the Consumer Product Safety Commission, p. 22. . . . **A PROFILE** of W. R. Grace, including "Grace at a glance" (p. 31), an interview with home center division president Frank Denny and retailing head Robert Anderson (pp. 32-36), and feature stories on the company's six home center chains, pp. 29-75.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 7, No. 25. Copyright© 1981 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

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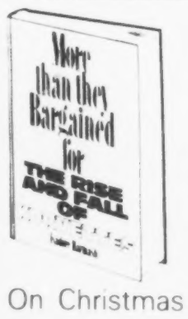

THE ASTONISHING STORY BEHIND THE GREAT KORVETTES CHAIN

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by Isadore Barmash

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Isadore Barmash is Assistant Financial Editor and retailing specialist for *The New York Times*.

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Action Industries	9/26-1st qtr.	$ 16,845	$ 15,035	12	$ – 413	$ 315	—
Amer. Maize Products	9/30-3rd qtr.	116,103	109,324	6	4,193	4,923	– 15
Cyclops	9/30-3rd qtr.	259,323	232,788	11	5,000	395	1,166
Edison Brothers	10/3-3rd qtr.	235,809	209,738	12	10,312	9,200	12
Erb Lumber	9/30-3rd qtr.	33,477	32,636	3	744	921	– 19
Evans Products	9/30-3rd qtr.	411,467	390,904	5	7,698	16,128	– 52
W. R. Grace	9/30-3rd qtr.	1,587,635	1,500,134	6	97,118	69,035	41
Hines Lumber	9/30-3rd qtr.	69,917	70,155	—	– 1,654	171	—
Scotty's	10/24-4 wks.	22,796	20,853	9	—	—	—
Southwest Forest Ind.	9/30-3rd qtr.	193,030	180,474	7	1,664	9,094	– 82
Union Camp	9/30-3rd qtr.	430,607	401,221	7	44,362	41,086	8
Wolohan Lumber	9/30-3rd qtr.	26,580	28,937	– 8	495	450	10

*$ in thousands

Evans' retail net rises 6% on 8% 3rd-qtr. sales hike

PORTLAND, Ore.—Increased consumer sales helped Evans Products retail group's revenues grow 8% and earnings move up 6% in the third quarter ended Sept. 30, compared to last year, company officials said.

Retail operating income for the quarter was $17,456,000 on sales of $218,498,000, despite lower sales to the building sector because of the housing slump.

Officials said the group's gross profit margins improved and operating expenses increased as a percentage of sales in the period.

The seasonality of the retail building materials business, accentuated by the retail group's record sales, was a factor leading to an increase in working capital requirements in the first nine months of the year to $39,293,000.

Overall, the company's net earnings fell 52% to $7,698,000 on a sales gain of 5% to $411,467,000 in the quarter, compared to the same period last year.

The company experienced a 30% decline in operating earnings on a year-to-year basis in the third quarter. As a result of high interest rates, however, unallocated interest expense more than doubled and resulted in a loss of $602,000 before taxes.

Wolohan's board cancels fourth-quarter dividend

SAGINAW, Mich.—Wolohan Lumber's board of directors has voted to cancel the fourth-quarter dividend, an act described by president David F. Wallace as "in the interest of shareowners over the long term to protect the company's capital position."

Wallace said that it was the intention of the company to resume dividend payments "as soon as we become convinced that future earnings will support the dividend on a continuing basis."

The 35-unit chain reported sales of $26,580,000 for the three-month period ended Sept. 30, 1981, down from $28,937,000 for the comparable quarter of 1980.

However, net income was up to $495,000 from $450,000 in third quarter 1980.

Wolohan's nine-month 1981 sales total $70,307,000, 5% below 1980's $73,667,000; net income was $630,000, 23% higher than last year's $512,000, and earnings per share were 11¢, 23% over 1980's 9¢.

"The operating results are disappointing to us," said Wallace, "since they provide less than a 4% return on shareholder's equity. There has been no improvement in the economic climate in the Midwest. Interest rates remain high; unemployment, severe."

Third-qtr. sales flat at Hines

CHICAGO—Third quarter 1981 sales for Edward Hines Lumber kept pace with 1980 figures, with sales of $69.9 million only $300,000 below last year's totals for the comparable period.

Nine-month sales were $205.3 million, $4.1 million above the total for the first three quarters of 1980.

According to company president Edward Hines, sales in the third quarter and the first nine months continued to be affected by "long-lasting depressed conditions in the housing industry."

The company's wholesale and retail operations (including 26 home centers) were described by Hines as operating "profitably" during the third quarter and nine-month periods, although he was "not satisfied" with the results.

Scotty's volume rises 9% in Oct.

WINTER HAVEN, Fla.—Scotty's, the 85-store home center chain, had a 9% increase in sales for the four-week period ended Oct. 24, compared with the corresponding period of 1980.

Sales for the latest four weeks were $22,795,662. The total for the 17 week period ended Oct. 24 was $92,704,493, a 14% increase over sales for the corresponding 17-week period ended Oct. 25, 1980.

Ray H. Cooney, Scotty's president and chief executive officer, stated that sales continue to be "relatively strong" on the DIY market while sales to the professional builder have been up "only slightly" from last year during the latest 17 weeks.

Scotty's has raised its regular quarterly dividend to 18¢ per share, an increase of 6% over the previous quarter. The dividend will be payable Feb. 15 to stockholders of record as of Jan. 15.

STOCK PRICES

Companies with predominant home center sales

	As of 11/4	As of 11/11
Lowe's (NYSE)	12¾	11¼
Payless Cashways (NYSE)[Furrow]	19¼	16⅛
Scotty's (NYSE)	19⅛	18¼

Over-the-counter stocks

	As of 11/11 Bid	Asked
Erb Lumber	11½	12½
Hechinger	15⅝	15⅞
The Home Depot	15½	16
Pay 'N Pak	14⅛	14⅜
Wolohan Lumber	3¼	3⅝

Companies with significant home center sales

	As of 11/4	As of 11/11
Action Industries (AMEX) [Action Home Centers]	2¾	2¾
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	11⅛	10⅛
Boise Cascade (NYSE)	34⅞	34¼
Cyclops (NYSE) [Busy Beaver]	27⅝	28
Diamond Int'l (NYSE)	29	34⅛
Edison Brothers (NYSE) [Handyman, Homer's]	26⅝	26½
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	20¾	21½
Forest City (AMEX)	14	14¼
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45¾	44
Interco (NYSE) [Central Hardware]	48⅜	47⅞
Peavey (NYSE) [Fish, Peavey/Thunderbird]	23¾	23⅞
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	18⅞	17⅞
Supermarkets General (NYSE) [Rickel]	18¾	19⅝
Union Camp (NYSE) [Homecrafters]	47½	45
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	11½	11¼

Over-the-counter stocks

	As of 11/11 Bid	Asked
Dart Drug	11⅝	12
Hines Lumber	17¼	19
Pay 'n Save [Ernst, Von Tobel's]	20⅞	21⅞
Sunset Industries [Handy Andy]	1⅝	2⅝

Read NEW PRODUCTS

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CONGRESSIONAL INFO INC
WASHINGTON DC 20014

National
Home Center News ®

Vol. 8, No. 1 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • January 4, 1982
$7 per year $2 per copy

Action puts home center division on the block

By John Caulfield
NHCN field editor

CHESWICK, Pa.—Action Industries has hung a "For Sale" sign on its 13 home center/17 hardware store retail division, but no chains seem interested in buying.

Discouraged by three years of unprofitability, Action "came to the conclusion that we were doing a very poor job in running the stores," said chairman Amos Comay. Indeed, the profit picture has dimmed at the four-state chain.

For the 1981 fiscal year ended June 27, the chain suffered an operating loss of $3,324,000 on sales of $19,524,000. This was on top of operating losses of $46,000 in 1980 and $240,000 in 1979. In the first quarter of 1982, ended last September, the company incurred "additional substantial losses" from its retail sector.

"We felt that our company would be better served by investing in ventures that would give us a better return on our money," said Comay. Action's retail division represents about 26% of the corporation's $76 million volume.

Currently, the company has closed two hardware stores, sold two (reportedly to employees) and has seven conducting "going out of business" sales. However, Comay indicated there was still a possibility the home centers could be sold as a group, although they are now being offered for sale individually.

Action's main home center competitors in the Pittsburgh market (where it has a good portion of its stores) are Busy Beaver and Grossman's, and officials from both have said they are aware of the availability of the stores, but aren't interested.

"We require an outside lumberyard, which none of Action's units has," said Everitt Grossman, vice president-real estate for the 193-unit Braintree, Mass.-based chain. "And for the most part, the stores are too small, aren't freestanding and overall, are in areas where we already have units." (All of Action's stores are leased buildings in shopping centers. The hardware stores are in the 4,770-10,000 sq. ft. range and the home centers 19,000-33,000 sq. ft.)

Poor store locations, and an inability to overcome its hardware image spelled doom for Action Industries' 30 hardware and home center stores, which are currently on the block. NHCN photo

Tom Herward, vp-marketing for the 33-unit Busy Beaver chain, felt the stores had a more serious problem.

"Almost every one of them is in a bad location, which I think is one of the reasons Action is having so much trouble. The chain is not positioned in places you have to be to be competitive in Pittsburgh."

Several regional sources have also noted that officials from

(Continued on page 58)

Late surge not expected

Slim gains brighten Yule sales

NATIONAL REPORT—Home centers were able to generate marginal sales gains during the first weeks of the Christmas season at a time when retailing in general was off throughout the country.

However, these gains did little to change the mostly pessimistic attitude of home center retailers, who were not expecting the same late surge in holiday business this year that made 1980's Christmas profitable (*NHCN*, Jan. 19, 1981).

"The day after Thanksgiving was like a new birth; we had phenomenal business," said Dick Griffin, vice president-sales for the 220-unit Lowe's chain, North Wilkesboro, N.C. "But it was an instant bubble that burst very soon. Although I expect customers to be buying later this year, I don't see a whole lot of sales from Christmas; the dollars just aren't there."

For the month of November, Lowe's retail sales were up 5% to $35.4 million, up 2% on an average store basis. However, its professional sales were off 28%, bringing the chain's total volume down 12% to $62.7 million.

Chains around the country like Lumberjack Stores, Sacramento, Calif.; Central Hardware, St. Louis; Scotty's, Winter Haven, Fla., and Stambaugh-Thompson, Youngstown, Ohio, also experienced sluggish early Yuletide business, although some home centers like the independent Somerville Lumber in the Boston area and Home Depot, Atlanta, were actually seeing gains in Christmas volume and store traffic.

These two exceptions do not belie the fact that home centers were in the same economic vise squeezing other retail businesses. The one difference was that home center operators, for the most part, did not engage in the frantic price slashing that general merchandise and discount chains tried early in the season to attract customers, al-

(Continued on page 58)

Christmas at home centers was not as strong as last year's season despite major promotions by chains.

NEWSBREAKS

PEAVEY CLOSINGS. Peavey, the diversified Minneapolis company that operates 52 building supply stores in the upper Midwest, will close 11 of its units in North and South Dakota and Minnesota by Feb. 1. The company's building supply sales and earnings were off during fiscal 1981 and the first quarter of fiscal 1982, which ended Oct. 31.

ANGELS TO ANCHOR HOME IMPROVEMENT MALL. A $15 million, 163,000-sq.-ft. home and garden shopping complex devoted exclusively to home improvements is set to open in Irvine, Calif., this fall. Angels, the 16-unit California DIY chain, and J. H. Bigger, a three-unit Orange County, Calif., furniture chain will anchor the mall with 36,000- and 20,000-sq.-ft. stores respectively.

Grogan gone as shake-up continues at Plywood Minn.

MINNEAPOLIS—The management of Plywood Minnesota continues to play a game of musical chairs.

Jim Grogan, who joined Plywood early in 1981 as vice president of operations and rose quickly to the company's presidency, has resigned after less than a year. A successor has not been named.

The 20-store company is now being run by ceo Bruce Thompson, a builder and personal friend of Plywood founder Sen. Rudy Boschwitz. Thompson has served on the firm's board of directors for the past 18 months.

Last September Plywood sold its 44 franchise units to 11 veterans amid complaints that management had not been responsive to the store operators (*NHCN*, Sept. 14).

Grogan's departure is the latest in a series of top management changes that have haunted the 20-store operation since Boschwitz left the helm to join the Senate three years ago.

In October Joseph Klein, vice president of merchandising left Plywood after only five months.

Both Grogan and Klein said they left Plywood voluntarily. Thompson and Boschwitz would not comment on the departures.

No major changes in Plywood's operation are expected, according to Thompson. The move away from expensive displays that have been introduced into some of the stores will continue.

"We want to again stress warehouse locations with more emphasis on low prices," Thompson said. "We'll probably make no product changes, although we may expand a few areas like vanities and total kitchens."

Grogan, who came to Plywood after running the $500 million Lonestar Industries home center group, insists the parting from his latest employer was amicable. He is now looking for work.

"I've got six or seven good years left in me. I don't care if someone hired me to be a district manager," Grogan said. "I've run a company. Let someone else do that."

When Grogan became Plywood president he replaced Glen Meyer, a 15-year company veteran, who also spent less than a year in the job.

Forecaster eyes 33% leap in '82 construction values

WASHINGTON—The value of new residential construction should grow by 33% to $82.8 billion, compared with $62.1 billion in 1981, according to the 1982 Dodge/Sweet's Construction Outlook.

"The strength of housing's response to an expected decline in interest rates from their lofty peaks is something of a guessing game," said George A. Christie, McGraw-Hill vice president and chief economist.

"But even a modest decline of mortgage rates should bring next year's housing starts within the range of 1.4 million to 1.5 million dwelling units," Christie told a recent conference of building executives in Washington.

Dodge 1982 construction estimates show housing starts for one-family dwellings increasing nationally by 28% to 809,000, compared with 725,000 in 1981.

Multifamily housing starts are expected to jump 12% from 425,000 last year to 519,000 in 1982.

The amount of money spent on single-family construction is expected to leap 41% to $57.7 billion in 1982. The same figure for multifamily housing is $21.5 billion, an increase of 22%.

Regionally, Dodge/Sweet predicts dramatic growth in total housing starts in an area where building is already relatively strong, the South, which will see a 49% increase from 435,000 to 650,000 units.

The lowest hike in total housing starts in 1982 is expected in the Midwest, which should see 210,000 units built, compared with 175,000 in 1981, an increase of 20%.

In the Northeast and West, 24% and 26% more total housing starts are anticipated, respectively. The Northeast should reach 205,000 units, up from 165,000. In the West, 1982 starts are projected as 335,000, up from 265,000.

"The combination of a sluggish economy through mid-1982 that will limit credit demands, and a partial accommodation of monetary policy to the Administration's budgetary squeeze, will allow a recovery of housing as interest rates recede," Christie said.

For an in-depth analysis of the housing and DIY activity in 10 major metro markets, see p. 27.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Somerville Lumber to open 2nd outlet

By Greg Puchalski
NHCN senior editor

WESTBOROUGH, Mass.—Somerville Lumber is joining the DIY chain ranks.

The $24 million Somerville, Mass., independent agreed late last month to purchase a 20,000-sq.-ft. Diamond International outlet here that had been closed down last year. The purchase price was not disclosed.

According to Somerville Lumber co-owner, Harold Cohen, the Westborough location is part of company plans to eventually open several stores within a 35-mile radius of Somerville, a suburb of Boston.

Somerville Lumber hopes to have its second store opened by late March after it builds an addition to the existing facility, doubling its size, Cohen noted.

The store will carry the same 36,000 sku's as the original outlet and will be staffed by "a nucleus of department heads" moved from Somerville, according to Cohen.

The new store will aim to do 85% of its business with consumers, as its parent does, Cohen said."We're far enough from Somerville so we won't be 'robbing Peter to give to Paul.' "

Diamond closed its Westborough unit last year after about six years in business because it failed to reach volume expectations of $5 million, explained Richard Cushman, Diamond's retail vice president. The unit's sales dipped to $2.5 million in 1980 from a high of $4 million.

"We're a lot more aggressive," Cohen said. "We have a name and reputation here."

Somerville's emphasis on DIY business as opposed to Diamond's predominantly contractor volume should also give the independent an edge.

Somerville Lumber plans to expand its operation to this Westborough, Mass., location by late March. Diamond International closed the unit last year due to insufficient business. NHCN photo

Lowe's is seeking smaller building sites

NEW YORK—Lowe's, the nation's third largest home center in DIY sales, is looking for smaller building sites, chairman Robert Strickland told a group of security analysts here last month.

The purchase of four- rather than six-acre parcels will allow the company to either spend less or buy more choice locations, Strickland said.

The firm, which this year exhausted its real estate holdings, is now focused on rebuilding its land bank, as well as continuing the conversion of existing stores to the consumer-oriented RSVP prototype.

Three new Lowe's ventures noted by Strickland include Sunday selling in all stores, selling through mail order catalogs and selling imported merchandise.

Progress on some projects, such as the RSVP conversions, has been slowed, however, because of the economy. Changing over a store is costly—$100,000 to $150,000 per unit, not counting administrative expenses and interest.

Strickland expects the next four months to be lean, with the picture perhaps brightening in the third quarter.

"We need the middle quarters to be good for a good year at Lowe's," he said.

The RSVP program, intended to build retail sales as a buffer against sluggish housing starts, seems to be having an effect.

In 1981, for the first time, retail sales made up more than 50% of Lowe's volume, Strickland said.

He noted the success of the RSVP format in 16 retrofitted stores where departments located in the four corners of the operation showed strong sales hikes, both retail and builder.

Retail volume in those units for kitchen/bath rose 16%; for home decor, 24%; millwork, 15%; home electronics, 35%.

Still, the RSVP look is being refined with endcaps altered to be more exciting and price-oriented.

Although Strickland emphasized the strength of Lowe's, with a 15% earnings growth per year predicted over the next five years, he did not rule out the possibility of a merger.

"As we look back at some of the deals we turned down, we've made mistakes," he said. As far as future merger opportunities: "It would be a dereliction of duty not to consider them strongly."

'As we look back at some of the deals we turned down, we've made mistakes.'
Robert Strickland, chairman, Lowe's

Opens warehouse outlet

Scotty's challenges Home Depot

HOLLYWOOD, Fla.—The Home Depot's warehouse approach to home center retailing is suddenly up against competition from Scotty's with the opening of a 15,000-sq.-ft. retail warehouse unit.

The new Thrifty outlet is still in the experimental stage, according to chain officials, who are reviving the concept even though a similar test unit failed two years ago in St. Petersburg, Fla.

The new outlet, however, features a cherry-picked selection of fast-moving merchandise and "no-frills" service to create lower prices, which Scotty's believes will help the revised format succeed.

Scotty's has more than doubled its offering to 2,000 sku's in Hollywood as compared to the St. Petersburg Thrifty, according to Dave Bryant, administrative assistant. All major categories in a conventional Scotty's outlet, which has about 9,000 sku's in 32,000 sq. ft., are represented in the Thrifty store.

The selection includes yellow pines and treated pine, shingles, sheetrock, insulation, hammers, saws, plumbing, wallpaper, floor tile and paint. The store also offers Scotty's full line of catalog goods, a service not provided in St. Petersburg.

In addition, unlike the St. Petersburg unit which had been a former grocery store, the Hollywood Thrifty was built from scratch, specifically geared for its purpose, Bryant indicated.

Better location

"The facility, with its high ceilings, lends itself to doing more," he said. "The location alone is better than what we had."

Scotty's likes the population density in the Hollywood area and the fact there is no other Scotty's nearby, according to Bryant.

"We experienced competition against ourselves in St. Petersburg," he explained. "Hollywood is a brand new market for us."

Although Scotty's has said it will tackle the Miami/Fort Lauderdale market in the future, Thrifty's units are not in the chain's plan of attack there and Bryant indicated this may be the last chance for Thrifty to prove itself.

"If this one is not successful," he said, "you won't see another. We'll work on this one and see if by cutting expenses and offering fewer services, people buy. There are no plans for more Thriftys at this time."

The chain is interested in determining if there is a need for a "no-frills" building materials operation similar to the "no-frills" supermarkets of recent years, Bryant said.

Newspaper ad spending up 16.6% for first 3 quarters

NEW YORK—Newspaper advertising for lumber and building material dealers, encompassing home centers, increased 16.6% during the first three quarters of 1981 to $170.4 million, according to the Newspaper Advertising Bureau.

Home center advertising falls under the building/hardware/farm equipment component of the housing and decoration category, the second-biggest gainer among all retail categories up 19.8% to $1.336 billion.

In the fourth quarter, Rickel, South Plainfield, N.J., was typical of home centers around the country. The chain ran full-color inserts promoting Holiday Savings in local and regional newspapers.

The 16-page Rickel tabloid included "over 300 gift ideas" with the theme "The useful gift ideas are all at Rickel." The ad was supported at all 31 stores with in-store tags urging customers to "Be a practical Santa."

An analysis of newspaper advertising across the country showed that the largest component of the housing and decoration category was furniture/furnishings and equipment, which had a 17.1% increase in advertising to $684.6 million.

General merchandise, the largest retail category, increased 11.4% to $2.526 billion, including department stores (up 14.1% to $1.444 billion) and variety stores (up 10.4% to $26.6 million).

Tire/auto-supply stores/service stations increased advertising 15.7% to $207.9 million.

Food and drug store advertising was up 15.3% to $788.8 million.

Burlington Northern cuts lumber shipment rates

ST. PAUL—Burlington Northern Railroad has cut shipment rates for lumber, plywood and particle board between 6% and 16% until the end of this month, on material bound for BN/Fort Worth & Denver destinations in Oklahoma and Texas.

Savings average about $540 per carload, according to the railroad. A price break of about $340 per carload is available until March 31 to shippers on British Columbia railway origins from Prince George, BC and south.

New rates for lumber, plywood, particle board, shakes and shingle shipments from Winnipeg, Manitoba, to BN/Colorado and Southern/Fort Worth & Denver destinations in Minnesota, North Dakota, South Dakota, Wisconsin, Iowa, Nebraska, Missouri and Illinois are expected to save $135 per carload, the railroad said.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 1 January 4, 1982

METRO MARKET OUTLOOK

Atlanta, ranked fourth in single-family home starts in 1981, is one of 10 markets profiled in NHCN's examination of top home building and do-it-yourself markets.

Atlanta Chamber of Commerce

Home-building slump reshapes strategy for 80's

Repair/remodel market seen as retail life raft

NATIONAL REPORT—One year ago, housing prognosticators were looking ahead to 1981 as a year of recovery for the home building industry, predicting as few as 1.45 million, and as many as 1.65 million new homes would be constructed.

Instead, the industry plunged further into decline, struggling to build 1.075 million new homes (706,000 single-family), as financing costs for builders, and homeowners, went through the roof.

The home building recession, now entering its 38th month, has begun to rock the foundations of the United States economy as thousands of people, from millworkers in the West, to retail employees at contractor-dependent building supply chains such as Wickes Lumber, have lost their jobs.

Nonetheless, 16 out of the nation's top 25 home building markets for single-family dwellings showed an increase in building activity in 1981 over the previous year, providing many home center and building material retailers ample opportunity to grow with the market.

In the following special report, *National Home Center News* profiles 10 of the major single-family home building markets, from Houston, where more new homes were built in 1981 than in any other SMSA market, to San Diego, where rising home prices are presenting new difficulties to what has been a steady Sunbelt growth area.

Clearly, the impact of the housing recession is reshaping the future for suppliers of residential building and home improvement products.

In the past two years, the high cost of home financing has resulted in an estimated 2.7 million fewer housing transactions in the United States than should have occurred, based on the needs of the population to relocate for new jobs, and form new households.

While mortgage rates are showing solid signs of declining in some markets, the latest report from the Federal Home Loan Bank Board showed the average effective interest rate on a 25-year mortgage, had climbed from 17.77% in September to 18.17% in October. The rate this time last year was 15.38%, and stood at 13.86% in October of 1980, based on loans for 75% of the purchase price of a home, including fees.

The National Assn. of Home Builders now estimates that the number of housing transactions will fall behind the nation's needs at the rate of 100,000 units a month in 1982.

About three-quarters of those people stay in their existing homes, while many of the rest, particularly young people, are finding homes in converted basements or sections of single-family homes.

Indeed, the number of people who are taking advantage of dual-family accommodations in single-family homes has risen sharply in the past several years as the cost of a home has rapidly outpaced the rise in income.

Based on the number of homes known to have been built since the 1970 Census, there currently exists 83 million housing units in the United States. However, the 1980 Census has accounted for 86 million households.

The 3 million-unit discrepancy is unprecedented, according to Gopal Ahluwalia, director of statistics and surveys for the NAHB, and is indicative of a trend toward remodeling existing homes to accommodate additional independent households.

This trend bodes well for home center operators and building material retailers addressing the repair and remodeling market as the market takes on increasing significance in the total building material market.

"Last year, for the first time in history, more plywood was consumed in repairs and remodeling than in new single-family construction in the United States," observed Stanley S. Dennison, senior vice president of Georgia-Pacific Distribution Division. He added that 6.3 billion board feet of softwood lumber was also used in repairs and remodeling, approaching the 8.7 billion board feet consumed in new single-family home construction. Dennison is among a growing number of building material suppliers who believe the residential repair market will "outperform residential construction in the 1980's."

Still, the impact of the housing recession on the United States economy promises to bring about a major shakeout in the retail building supply industry.

While Houston has led the nation in single-family home starts for the past three years, the drop-off in construction compared to 1979 levels has squeezed two independent building material dealers out of business in the past year (see p. 32.)

Moreover, the nation's home building activity, at its lowest levels since World War II, is putting an increasing drag on the economy as a whole.

According to current predictions, the first quarter of 1982 is expected to show a decline in real Gross National Product of about 1.5%.

With fourth-quarter estimates showing a 3% deterioration in economic growth, housing economists at the NAHB now estimate the recession will last four consecutive quarters.

Unemployment, meanwhile rose from 7% in July to 8% in October and 8.4% in November. Construction unemployment has soared to 18%, and unemployment among western millworkers has topped 22%.

On the positive side, inflation rates have shown solid signs of coming down. This could be a double-edged sword for some retailers who were used to seeing volume increases resulting from inflated dollars. However, the reduction in the growth of operating costs may provide some real measure of relief this year.

Many economists warn, however, that a significant drop in interest rates could fuel inflation, as millions of households rush into the market, forcing up prices in the squeeze, and stemming chances for long-term recovery.

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Top 25 metro markets

Metro area	1981 Single-family starts (% change from previous year)	1981 Mortgage rate*	1980 Single-family starts (% change from previous year)	1980 Mortgage rate*	1979 Single-family starts (% change from previous year)	1979 Mortgage rate*
Houston	26,030 (18.7)	19.35%	21,930 (−21.6)	14.21%	27,980 (0.7)	11.66%
Dallas/Fort Worth	25,920 (21.5)	18.19	21,336 (−17.0)	14.00	25,699 (− 2.9)	10.68
Washington, D.C.	16,000 (11.4)	18.87	14,364 (− 6.3)	14.28	15,331 (−10.3)	11.71
Atlanta	15,940 (6.1)	19.14	15,017 (− 0.2)	14.00	15,049 (10.2)	11.56
Phoenix	15,000 (20.2)	19.41	12,483 (−41.8)	14.13	21,443 (−29.3)	NA
Denver	12,330 (15.3)	17.89	10,695 (−32.5)	14.13	15,853 (−17.7)	11.92
Riverside/San Bernardino	12,000 (1.4)	NA	11,834 (−39.5)	NA	19,552 (−19.0)	NA
W. Palm Beach/Boca Raton	10,628 (20.9)	NA	8,794 (−21.1)	NA	11,146 (−14.3)	NA
San Francisco/Oakland	10,000 (5.3)	19.16	9,500 (−21.5)	14.35	12,100 (4.3)	12.19
Tampa/St. Petersburg	8,920 (− 9.3)	18.26	9,830 (−20.6)	13.84	12,385 (3.3)	11.82
Minneapolis/St. Paul	8,700 (—)	15.63	8,700 (−32.6)	14.30	12,900 (−18.4)	11.26
Philadelphia	8,100 (− 8.0)	18.13	8,800 (−31.7)	14.13	15,100 (− 9.3)	11.14
Miami	8,094 (12.2)	17.95	7,214 (−37.4)	14.47	11,523 (27.2)	12.00
Anaheim/Santa Ana	8,000 (14.7)	18.06	6,974 (−22.1)	14.32	8,953 (−10.0)	12.18
Los Angeles	8,000 (− 3.8)	18.06	8,314 (−30.1)	14.32	11,893 (−12.3)	12.18
Chicago	7,675 (16.8)	18.24	6,571 (−54.3)	14.02	14,368 (−46.9)	11.28
Seattle	7,250 (8.9)	19.00	6,660 (−40.6)	14.30	11,210 (−21.6)	11.63
Austin	6,993 (17.4)	NA	5,956 (−17.7)	NA	7,241 (2.0)	NA
St. Louis	6,910 (14.8)	18.07	6,020 (−37.9)	13.79	9,690 (−18.1)	11.41
Sacramento	6,900 (− 1.4)	NA	7,000 (−48.0)	NA	13,450 (5.1)	NA
Baltimore	6,690 (− 1.2)	18.20	6,770 (−26.9)	14.02	9,260 (−13.9)	11.32
Orlando	6,370 (− 3.6)	NA	6,610 (−17.1)	NA	7,977 (9.0)	NA
Portland, Ore.	6,300 (− 7.3)	18.63	6,798 (−30.7)	14.41	9,812 (−25.5)	11.51
Detroit	5,650 (− 4.3)	18.16	5,905 (−55.6)	13.91	13,300 (−26.3)	11.92
Fort Lauderdale/Hollywood	5,307 (6.1)	17.95	5,001 (−35.8)	14.47	7,792 (−28.0)	12.00
U.S. TOTAL/AVERAGE	**706,000 (−17.1)**	**18.17**	**852,000 (−28.7)**	**13.86**	**1,195,000 (NA)**	**11.62**

*October rate for 25-year loan including contract rate, fees and charges, amortized over 10-year period, on financing of 75% of purchase price.

NA = not available

Source: Federal Home Loan Bank Board, National Association of Home Builders.

METRO MARKET OUTLOOK

'Most competitive DIY market in West'

Energy boom fuels Denver's explosive growth

DENVER—The Mile High City and surrounding area is one of the fastest growing regions in the country, chiefly the result of Denver's emergence as the energy capital of the West during the late 1970's.

Population in the Denver/Boulder SMSA, according to the 1980 census, is 1,648,600, up from a total of 1,239,545 in 1970.

"This is without a doubt the most competitive market in the West for the home center operator," said a local spokesman for Pay 'N Pak, a chain with four stores in the Denver market.

"Although the home building business isn't what it was two or three years ago, business is still booming from the influx of people brought in by the new energy companies," the spokesman told *NHCN*.

According to the National Assn. of Home Builders, total housing starts in the Denver area for 1981 will be up by 9.6% from 1980 to 17,000. Single-family housing starts will increase by 15.3% to 12,330 for 1981, compared to 10,695 during 1980.

Interest rates on conventional home mortgages in the Denver area during October were 17.89%, slightly below the national average of 18.17%, although up from September's figure of 17.50% and the October 1980 figure of 14.13%.

Much of the housing going up now is in the $400,000-$600,000 price range, according to Economy Lumber buyer Steve Stookesberry, "primarily for executives of the new energy companies."

A spokesman for the Diamond Retail chain told *NHCN* that many homeowners are opting to remodel or renovate, good news for the DIY-oriented home centers. Older houses near downtown Denver are being purchased and restored by the new owners, according to the Diamond spokesman.

An encouraging sign is the slight improvement in the area's Help-Wanted Advertising Index, as compiled by The Conference Board. The October index was 229, up from 222 in September, although still far behind the October 1980 figure of 265. Nationally, the average was 110 this past October.

The top home center chain in the Denver/Boulder area is the Hugh M. Woods, with 10 stores, including four in Denver proper, two in Aurora and one each in Boulder (22 miles northwest), Lakewood, Littleton and Thornton.

The 80% DIY chain had estimated 1981 sales in the Denver market of $70 million. A typical Woods home center carries about 20,000 sku's, with sales per square foot averaging about $216.

Pay 'N Pak operates two stores in Denver proper, one in Aurora and one in Wheat Ridge. The chain is 98% DIY.

According to a local Pay 'N Pak spokesman, the Denver area stores had a record month of November, with sales reportedly 41% over company projections. *NHCN* estimates Pay 'N Pak sales in the Denver area for 1981 at $20 million.

Six Handy Dan stores are located in the area. The 65% DIY units had estimated sales of $30 million during 1981. The stores are located in Denver (three), Aurora, Littleton and Wheat Ridge.

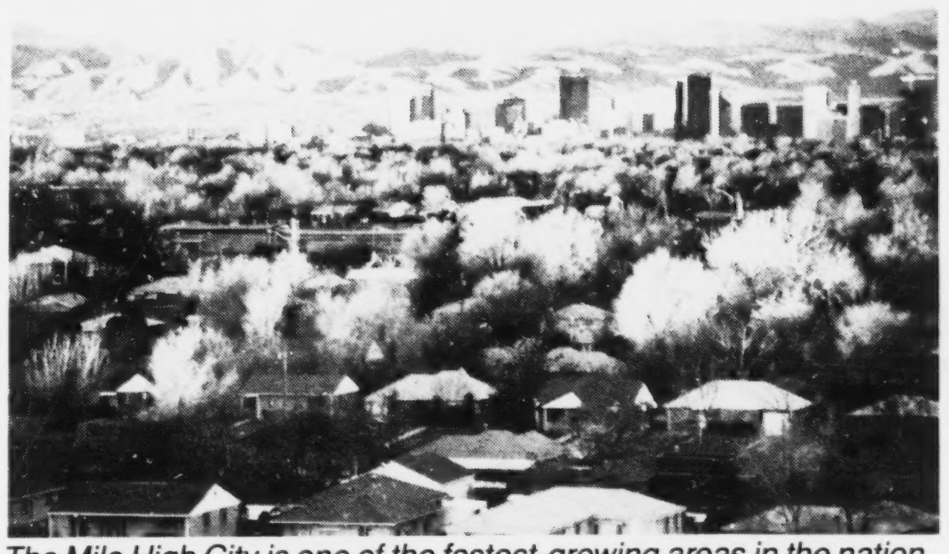
A typical Handy Dan unit encompasses 36,000 sq. ft. and includes 25,000 sku's.

Diamond Retail is making a concerted effort to obtain a larger share of the home improvement market in Denver, said a spokesman. The nationwide chain operates four stores in the area in Boulder, Broomfield, Evergreen and Longmont.

NHCN estimates the company's sales volume in the Denver market at $15 million. The chain's Boulder store was expanded during 1980.

Economy Lumber & Hardware operates two stores in the area, one in Denver and an-

(Continued on page 41)



The Mile High City is one of the fastest-growing areas in the nation, with housing starts up and unemployment down, both attributable to the area's emergence as a major energy center.

Denver market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Hugh M. Woods	10	$70	90
Handy Dan	6	30	95
Pay 'N Pak	4	20	98
Diamond Retail	4	15	28
Payless Cashways	3	21	95
Sutherland Lumber	3	12	NA
Wickes Lumber	2	8	47
Everitt Lumber	1	2	60

Source: NHCN research

Denver demographics

***Population*—1,648,600**
***Population aged 25-49*—759,000**
***Disposable income*—$15.3 billion**
***Total retail sales*—$8.073 billion**
***Building materials/hardware sales*—$412 million**

Source: Sales and Marketing Management

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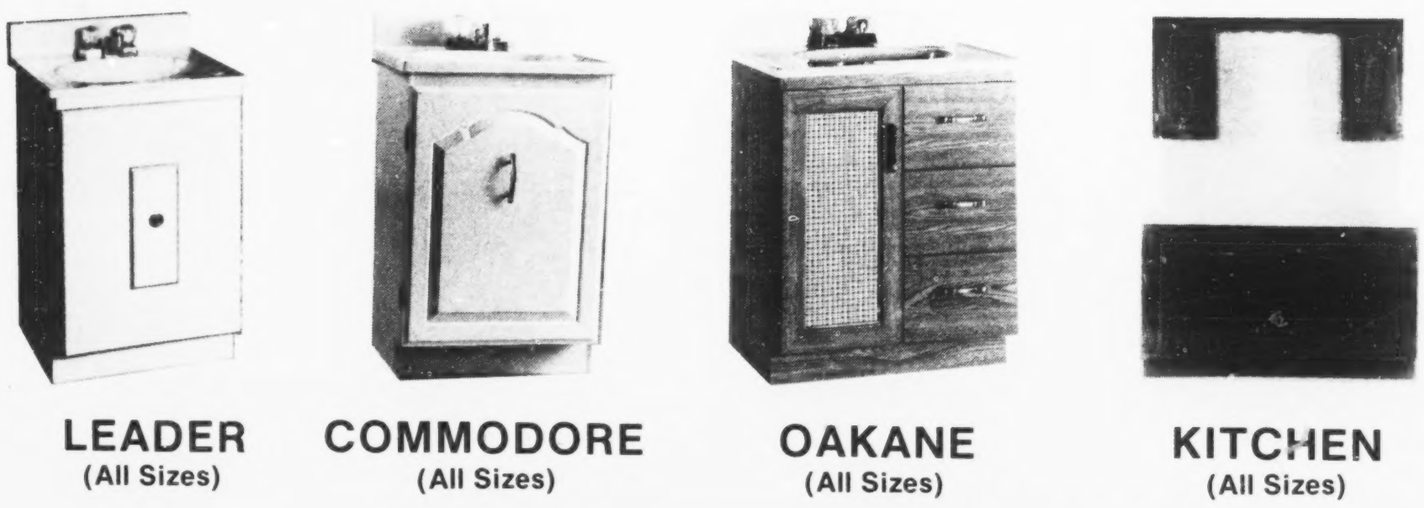

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Headquarters, not expansion, make San Diego the DIY capital

SAN DIEGO—In the eyes of the local media, San Diego is the capital of the home center retailing industry. Based on the number of companies headquartered here, it may well be.

The county is home for Wickes, ranked as the No. 1 home center retailer in the world (*NHCN*, Nov. 23). Handyman, a top-10 home center chain with 80 stores, was born and is headquartered here, as is Weyerhaeuser's five-store Dixieline Lumber.

At a glance, San Diego appears to offer a healthy environment for the home center operator.

Population grew 37% between 1970 and 1980 to 1.9 million and it is expected to reach 2.4 million by 1990. San Diego appears to be a ripe market for DIY since 55% of the county's population is 34 or younger, according to the *San Diego Union Tribune*.

Retail sales, meanwhile, are projected to keep pace with the spiraling population. San Francisco-based Wells Fargo Bank predicts that retail sales in San Diego County will more than triple by 1990. Sales will grow at a 12.6% annual rate, rising from $8.3 billion in 1980, to more than $27 billion by 1990, according to the bank's economic forecast.

Despite its title as the industry's capital, California's second largest city does not appear to head the list as a major expansion target for home center chains, at least not in the near future.

The housing standstill has been bad news for operators such as Dixieline and the county's seven Boise Cascade Building Materials Centers, which sell to both contractors and do-it-yourselfers. Even the 100% DIY home centers have felt a softening of sales during the housing slump, sources say.

In 1980, the number of residential building permits plummeted to 7,371 from a 10-year high of 20,545 in 1977, according to the San Diego Chamber of Commerce's Economic Research Bureau.

Home prices are another problem. The cost of a single-family home in the San Diego metropolitan area averaged $105,700 last January, the fourth highest-priced market in the nation, according to the Federal Home Loan Bank Board.

As a result, home center operators not yet in the market have been hesitant to commit to San Diego.

The market's relative isolation, situated between the ocean and desert, the competition, and the multistore commitment needed to gain a successful foothold are among the reasons given for their hesitation.

It is also significant to note that the chains operating here do not seem to be concentrating their expansion efforts in the San Diego area either.

Wickes, the largest home center operator, has very little representation in San Diego County. The company's 62-unit Builders Emporium chain, the largest home center chain operating solely in California, has only six stores in the San Diego market.

BE's recent expansion has focused on northern California and the southern California counties of Los Angeles and Orange.

Handyman has 10 stores in San Diego County and leads in market share, but the 80-unit chain has been concentrating mainly on spreading its coverage throughout the rest of California and in other Sunbelt communities.

Dixieline Lumber has been expanding in the area, although at a conservative pace. The chain opened its fifth store last summer in the rapidly growing north county area and is planning a sixth unit.

Handyman, Dixieline, Boise Cascade and Builders Emporium together comprise nearly 50% of the market share in the hardware and building materials category, according to local market data for the first six months of 1981.

Dixieline is the fastest-growing in market share, according to the data, but both Boise Cascade and Builders Emporium are also showing modest gains.

Handyman and its 10 area outlets have declined, but still lead the market, ahead of Dixieline by a slight margin.

Other retailers specializing in products that fall into the home center category include a chain of San Diego Paint and Glass stores, 84 Lumber, some strong independents and other home improvement specialty stores such as Standard Brands.

While San Diego is competitive, local operators do not see it as being oversaturated.

"There are markets that are more saturated for us," noted Henry Haimsohn, Handyman vice president of sales.

"I'm not so sure that we don't have an adequate number of stores [in San Diego]," another area home center operator said. "It isn't as competitive as some markets, but certainly if you're not aggressive, you'll fall by the wayside."

"In terms of doing business here, I don't see it as being that different from other areas," Haimsohn added. "It's like many other [rapidly growing] Sunbelt communities. We see the same opportunities because we are located in all Sunbelt communities."

Despite San Diego's relatively "isolated" location, retailers point to the San Diego-Mexico connection. In the year 2000, San Diego will emerge with the Mexican border city of Tijuana to become an international megalopolis with more than five million people.

"Already," a study points out, "the two cities represent the largest binational concentration of money in the world."

Therefore, home center operators are riding out what they say will only be a temporary slowdown here. Most are optimistic and feel sales will soar in the reasonably near future, "assuming," as one home center operator put it, "that we return to normal economic times."

San Diego demographics

***Population*—1,904,900**
***Population aged 25-49*—630,500**
***Disposable income*—$15.6 billion**
***Total retail sales*—$8.1 billion**
***Building materials/hardware sales*—$483.5 million**

Source: Sales and Marketing Management

San Diego market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Handyman	10	$30.0	100
Boise Cascade	7	24.5	55
Builders Emporium	6	18.0	100
Dixieline Lumber	5	55.0	40
84 Lumber	2	3.2	55

Source: NHCN research

Growth is byword for Sacramento DIY market

SACRAMENTO, Calif.—An expanding population set the stage for dynamic home center growth during the 1970's in this northern California market.

Over the last decade, Payless Cashways' Furrow Building Materials, Pay 'N Pak and one of the country's strongest independents, Lumberjack Stores, entered the market and intensified efforts to carve out business along with Handyman, a holdover from the 1960's. More recently, Builders Emporium joined the local DIY battle.

The main attraction has been the area's market potential. Population has increased from 800,000 in 1970 to over a million and a half today and it's still on the rise.

"Sacramento is an active town and it hasn't started growing," said Richard Cushman, retail vice president of Diamond International, which has its retail headquarters in the area.

Observers say Sacramento is about to develop its own Silicon Valley. They talk about firms like Hewlett-Packard moving in and bringing satellite businesses with them.

With some of the northern suburban growth stymied somewhat by foothills, retailers mention the market's eastern section, where Hewlett-Packard has settled, as an area with a solid future. The outlook for the southern and western sections is also optimistic.

"The area has lower-cost housing than southern California or the Bay Area," Cushman explained. "You have all the things needed here to have enormous growth.

"That growth scares some people, though. They want to avoid another San Jose, but the planning has not been as fast as it should be here."

People who like a little more space enjoy Sacramento, noted Burt LeBeck, owner of Indian Valley Lumber.

The area's housing starts remained relatively stable last year from 1980 figures, according to the National Assn. of Home Builders. Total starts numbered 9,400 units, with 6,900 of them single-family dwellings. September unemployment statistics closely rivaled the national figure of 7.3%.

For DIY dealers, however, Sacramento may not be the easiest place to do business. Sacramento's residents are price-conscious, they say.

"Sacramento is a cheap market," indicated LeBeck, explaining that dealers must offer good prices to compete. "Some people here go for inferior merchandise. We continually battle that. We offer quality and we often aim at the new residents who are used to quality products."

Jay Steiner, vice president of Lumberjack, expressed similar feelings and noted, "People here scrutinize their purchases and I think that's because of the state government [based in Sacramento] and the conservative base." Retailers in San Jose, for example, can sell building materials for 10% to 15% higher than in Sacramento, he said.

He added that consumers in Sacramento are interested in service. Lumberjack, which started in 1970 and is now the No. 1 DIY retailer in the market, keys on service.

Steiner pointed out that the six-unit chain offers clinics regularly and recently sponsored a home and gift show.

The chain's six units in the market average 30,000 sq. ft. indoors and generate $55 million-$60 million in sales, 90% with DIYers.

"Lumberjack is the most effective dealer in the market," said Cushman. "You can tell by the number of cars in their parking lots. They have excellent retail locations, frequent tabs and television ads. During evening movies, their ads probably come on five times."

Lumberjack currently plans two or three more units in the market, Steiner said. One of them will likely come in the southern suburbs.

Diamond International operates five units in the market, but the stores do only 30% of their $25 million sales with DIYers. Retail business, however, is destined to increase as a percentage of total sales, Cushman indicated.

Diamond's Roseville store did 50% more consumer volume in 1981 than it did in 1980 while its Rancho Cordova outlet has not reached its full DIY potential, Cushman noted.

Although Diamond's North Highlands unit is the chain's best store in the area by virtue of its 85% contractor business, Cushman said the store holds clinics that draw up to 100 persons.

Diamond's future sights for Sacramento are aimed at Elk Grove.

"We own land there and we hope to build there when the cycles change," Cushman said. "There are many thousands of homes planned there. It'll do a lot of do-it-yourselfer business."

Handyman has been in the Sacramento area the longest among the major chains and now operates four outlets doing $3 million-$4 million each in the market.

The chain's stores are reportedly in excellent retail locations and they are well advertised. A competitor mentioned that they are not hurt significantly by their higher prices.

Builders Emporium is the newcomer to the market with three units formerly operated as Tempo stores. The units are not convenient for large ticket business, however, according to one source.

Payless Cashways has two Furrow units here, the same number as 84 Lumber. Both chains feature strength in lumber and building materials and competitive pricing.

Pay 'N Pak opened its fourth Sacramento area unit in 1981 and Pay 'n Save owns two units in the market.

Among the strongest independents here are Indian Valley Lumber, Reed's Lumber and the Dry Creek Boys.

Sacramento demographics

***Population*—1,031,200**
***Population aged 25-49*—365,000**
***Disposable income*—$9.4 billion**
***Total retail sales*—$4.9 billion**
***Building materials/hardware sales*—$317.5 million**

Source: Sales and Marketing Management

Sacramento market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Lumberjack	6	$60	90
Diamond International	5	25	30
Handyman	4	15	100
Pay 'N Pak	4	10	98
Builders Emporium	3	7	100
Furrow Building Materials	2	10	95
84 Lumber	2	4	55
The Dry Creek Boys	2	4	100
Indian Valley Lumber	1	3	95
Reed's Lumber	1	5	25

Source: NHCN research

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METRO MARKET OUTLOOK

Independents dominate price-sensitive Philly

PHILADELPHIA—The City of Brotherly Love belies its name when it comes to home center retailing.

In the words of one Philadelphia dealer, the city is "very discount-oriented, very cut-throat."

Independents. who offer low prices, dominate the market at least within the city's limits, but major chains, aside from Channel Home Centers and Hechinger's budding 15-store expansion, have also restricted their growth in suburban Philadelphia.

"You're dealing with a lot of unsophisticated business people here," said Sylvan Cohen, president of two-unit Sylvan Build-In. "They're used to a lot of old-line lumber methods. Others who came in from other types of businesses didn't understand it. So, they decided to compete with low prices.

"I have a brother on the West Coast and people there say that Philadelphia is the toughest market."

The city's residents have become used to quality at low prices too.

"No one looks to spend much money," Cohen said. "When they come to the store, they have a price in mind already, and they'll shop around to make their major purchases."

The discount image often lures New Jerseyites across the Delaware River, especially for major purchases, and helps Philadelphia dealers' sales. Retailers, however, don't expect Philadelphians to cross the state line.

In addition, it's apparent that when Philadelphians make up their minds to tackle a DIY project, they don't put it off at all.

"You can't run on the 'I'll get it for you,' " philosophy, related Sandy Roland, president of Price-Rite Home Supply, another independent. "People want the goods now."

In addition, as Steve Erlbaum, a partner in Mr. Good Buys, which operates one of its three stores in Philadelphia, tells it, neither retailers nor consumers are too willing to make changes. The city had the first supermarket [Food Fair] and the first department store [John Wanamaker's] and "whoever opened first had the business," Erlbaum said.

"A&S and Bloomingdale's are now forcing John Wanamaker's to upgrade," he added. "As for the consumers here, in terms of decoratives, they're behind the times."

In terms of home centers, independents apparently reign, and chains must do their homework before entering.

"Chains find a lot of competitors that they never knew existed when they came here," Erlbaum said, "because those competitors don't do much advertising."

Mr. Good Buys, Sylvan Build-In and Price-Rite are examples of strong Philadelphia independents which cater to the market.

As Erlbaum describes it, Mr. Good Buys is "a big ticket retailer" specializing in kitchens, vanities, floor coverings, doors, lumber and millwork. Its warehouse-type operation, promoted through cluttered but apparently successful newspaper advertising and television ads, did about $5 million in volume last year.

"Mr. Good Buys is operating correctly," Cohen says. "The market reacts well to discounting and Mr. Good Buys is doing it right."

Cohen has cut his operations with the closing of units in Philadelphia and Pennsauken, N.J., leaving him with two Philadelphia stores. He explained that he tried to specialize and just show products rather than stock them extensively in the two closed stores. His dream of "small stores with low expenses" was shattered by Philadelphians' desire for products to take home immediately.

"I'm changing my way of doing business," he said. "In our Rising Sun Avenue store, I'm only buying what we can be successful with. We'll knock down the costs and key on specials.

"In our western Philadelphia store, we'll stick to neighborhood items and advertise some special goods. So, we'll buy standard goods, be competitively priced and have specials to keep the business coming in

(Continued on page 41)

Chains have trouble competing against Philadelphia's discount-oriented independents which dominate the market, especially within the city limits.

Philadelphia market coverage

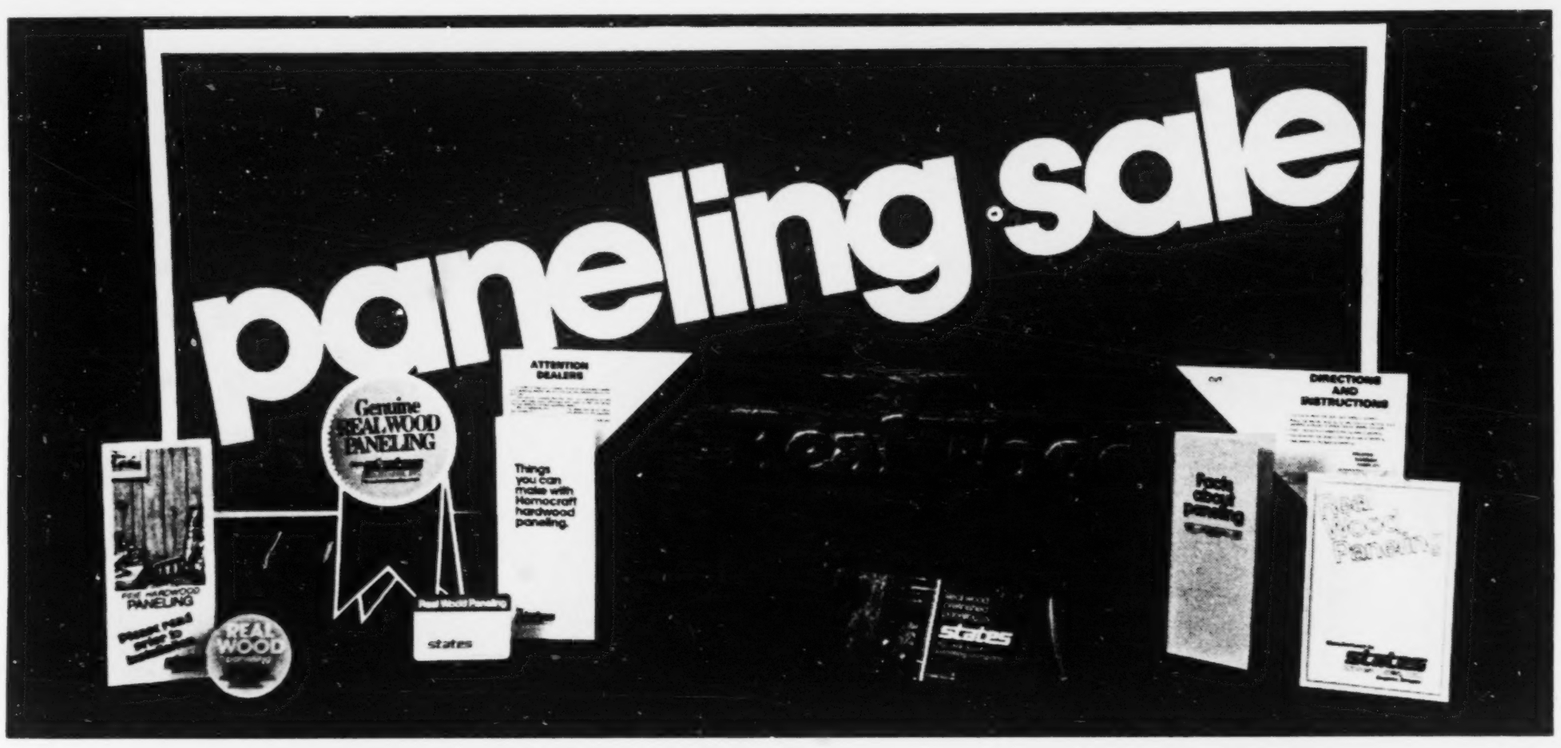
Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Channel Home Centers	15	$36.0	100
Grossman's	4	8.0	92
Hechinger	2	8.5	100
Rickel Home Centers	2	6.5	100
Wickes Lumber	2	5.0	47
Sylvan Build-In	2	1.0	80
Mr. Good Buys	1	5.0	100
Price-Rite Home Supply	1	3.5	80
84 Lumber	1	1.6	55

Source: NHCN research

Philadelphia demographics

***Population*—4,709,800**
***Population aged 25-49*—1,544,800**
***Disposable income*—$40.9 billion**
***Total retail sales*—$18.6 billion**
***Building materials/hardware sales*—$545.5 million**

Source: Sales and Marketing Management



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Flintkote Supply Co.—Jacksonville
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Sequoia Supply—Atlanta

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Indiana Wholesales—Evansville, Terra Haute
Sequoia Supply—Ft. Wayne

IOWA
Hawkeye Building Supply—Sioux City
Rounds & Porter Co.—Storm Lake, Davenport, Des Moines, Waterloo
The Wood Products Co.—Waterloo

KANSAS
Century Lumber Co.—Topeka
Rounds & Porter Co.—Wichita, Salina, Dodge City

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Sequoia Supply Inc.—Jackson
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Four States Supply—Carthage
Lumberyard Supply—St. Louis
Toombs & Company—Springfield

MONTANA
Boise Cascade Corp.—Billings

NEBRASKA
Central Lumber Sales—Lincoln
Rounds & Porter Co.—Hastings

NEVADA
Capitol Plywood—Reno

NEW MEXICO
Thunderbird Steel Corp.—Albuquerque

NORTH CAROLINA
Diamond Hill Plywood Co.—Greensboro, Raleigh, Charlotte
Foreign & Domestic Corp.—Fayetteville
North State Building Material Co.—Asheville
Sequoia Supply, Inc.—Greensboro

NORTH DAKOTA
Lavelle Lumber Sales—Fargo

OHIO
Clem Lumber Co.—Alliance

OKLAHOMA
Rounds & Porter Co.—Altus, Oklahoma City, Tulsa
Cedar Creek Wholesale—Tulsa

OREGON
States Dealer Supply—Eugene

PENNSYLVANIA
Bennett Supply—Pittsburgh
Sequoia Supply, Inc.—Kingston,
Seven D Wholesale—Gallitzin

SOUTH CAROLINA
Diamond Hill Plywood Co.—Darlington, Greenville
Sequoia Supply—Florence, Columbia

TENNESSEE
Diamond Hill Plywood Co.—Knoxville, Nashville
Dyke Industries—Memphis
Holston Builders Supply —Kingsport
Sequoia Supply—Memphis, Kingsport
Tennessee Plywood & Door Co., Inc.—Chattanooga

TEXAS
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Davidson Texas, Inc.—Austin
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Vaughan & Sons, Inc.—San Antonio

UTAH
Diehl Lumber Products, Inc.—Salt Lake City

VIRGINIA
Diamond Hill Plywood Co.—Richmond, Chesapeake

WASHINGTON
Boise Cascade Corporation—Woodinville, Yakima, Spokane
C.A. Company—Spokane
The Harris Company—Olympia
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METRO MARKET OUTLOOK

Crime clouds Miami's sunny business climate

MIAMI—It was Florida's calling card.

This city of 348,000 probably did as much as any southern municipality to spur the migration of northerners to Florida and the whole Sunbelt throughout the 1970's.

Traditionally strong in tourism and construction, Miami gained national exposure from hosting the Republican National Convention in 1968 and 1972 and serving as the home for the three-time Super Bowl champion Dolphins.

In addition, being a port city gave Miami an international flavor that whet the appetites of businessmen wanting to cash in on the import-export market. Import-export trade hit $10 billion in the city last year, according to Miami's Trade and Commerce Development Dept.

International investment has also become an important part of the city's economy, with close to $2 billion in real estate investment and $3 billion in banking transactions coming from foreign companies. These figures are considered conservative estimates.

Despite some racial strife, Miami's Spanish population, which currently accounts for 55.6% of its total, seemed to integrate itself into the mainstream with fewer problems than other cities were experiencing. All told, Miami by reputation was a city with a great climate that worked.

However, its glow has been fading in recent years. The area's predominately drug-related crime problem has been short-circuiting growth. Statistics from the Uniform Crime division of the Federal Bureau of Investigation show the city's crime rate jumped 41% between 1979-1980, with murder and robbery increasing 64% and an incredible 123% respectively over the same period.

Suburban areas and surrounding city markets, such as Fort Lauderdale and Palm Beach, are seen by home center operators as more attractive places to do business than Miami.

Miami/ Fort Lauderdale demographics

***Population*—2,762,000**
***Population aged 25-49*—881,078**
***Disposable income*—$23.3 billion**
***Total retail sales*—$14.3 billion**
***Building materials/hardware sales*—$473 million**

Source: Sales and Marketing Management

Internally, home center retailers note that the city's steady growth in housing has gone into a lull over the last six months, despite the fact that 1981 projections for 1981 single-family housing starts of 8,094 represent a 12.2% increase over the previous year, although they fall short of the 11,523 starts in 1979.

Plus, the 7.5% unemployment rate in Dade County indicates that Miami may no longer offer the same opportunities to young professionals and working-class people as it once did.

"Miami's having its problems right now, but they're not insoluble and we're still a thriving city," said Betsy Green, assistant to the director of Miami's Chamber of Commerce.

She noted that the market was still attractive to businessmen looking to get into importing and public relations or consulting people and engineers seeking employment in the market's growing high technology field.

As proof that professionals were interested in the market as a place to live and work, Green pointed to Miami's per capita income, which 10 years ago was 86% of the national average. In 1981, it will have reached 98%, and still showing signs of improvement.

Part of Miami's diverse economy is generated from retail sales. They account for 61% of the residents' total disposable income. A small but increasing segment of this retail expansion is coming from home center operations.

In the home center arena, when you speak of Miami, you speak of Lindsley Home Centers, the 40-unit, $115 million chain that is based here and operates 23 stores in the market.

It is conceded by every competitor that Lindsley is the dominant factor here, with more stores and more advertising than anyone else. However, it has also been noted by observers in the market that several of Lindsley's units in Miami are trapped in areas that have become run-down. Company officials refused to comment on the market or Lindsley's position there.

The chain's overpowering presence is also being threatened by The Home Depot, the Atlanta chain that began opening stores in Miami last fall and recently started up a third and fourth unit last November.

The Home Depot's executives were unavailable for comment at presstime, but industry observers feel the chain will attempt the same marketing strategy that has proven successful in Atlanta: plenty of media advertising, warehouse-type merchandising (the stores average about 65,000 sq. ft. of indoor floor space) and low-ball pricing.

"We have not felt any great loss of business from Home Depot's entrance into the market yet," said Rolando Regato, vp-store planning and development for Davidson Lumber, with seven units here. "But Miami is an extremely aggressive market anyhow, with more retailers fighting for fewer dollars.

"But we see competition with Lindsley's and Home Depot as a challenge," he continued, "and I must say this aggressiveness has made us better merchants overall because it has forced us to use more sophisticated methods of merchandising and operations."

Regato, in discussing any future plans for expansion of Davidson Lumber, noted that the north and western areas of Miami appeared to be the most fertile, and that the downtown area presently offered little potential, at least until some of the city's troubles are remedied.

Florida has developed a new growth pattern outside of Miami, and the state has 10 of the 25 fastest growing metropolitan areas in the country within its confines.

(Continued on page 42)

Miami/Fort Lauderdale market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Lindsley	23	$62.0	100
Davidson Lumber	7	16.1	70
84 Lumber	6	9.4	55
The Home Depot	4	12.5*	98
Red Thumb Home Centers	4	15.0	50
Gancedo Lumber	2	12.0	30
Everglade Lumber & Building Supplies	1	9	70

Source: NHCN research *based on four-month sales

Contractor-oriented units take whipping in Houston

HOUSTON—Three independent lumber dealers have gone out of business in this city during the past few months.

The housing recession, which strikes hard at contractor-oriented facilities, seems the central cause of the business failures.

While Houston's energy-related enterprises continue to fuel the city's economy, 1981 multifamily housing starts, although up slightly from 1980, were down 42% from 1979, according to the National Assn. of Home Builders.

Houston demographics

***Population*—2,977,300**
***Population aged 25-49*—1,111,000**
***Disposable income*—$29 billion**
***Total retail sales*—$17.1 billion**
***Building materials/hardware sales*—$855 million**

Source: Sales and Marketing Management

Single-family starts were also up 18.7% to 26,030 units in 1981 but were below their 1979 level of 27,980 units.

"Some yards are really taking a whipping," said the president of an established, family-owned lumber business.

The independents that went out of business in the last few months include Brooks Lumber, Durham and Discount Lumber Mart.

Consumer-oriented home center chains, however, continue to penetrate the Houston market with Texas-born Handy Dan dominating in numbers of stores with a phenomenal 18.

But, if the economy does not cut into everyone's profits, market saturation may.

"If the city's not overstored, it's approaching it," said Bob Moutrie, of Moutrie, Norris and Assoc., a Houston-based consulting firm. "Competition has doubled and tripled. Population has not."

Population, nearing three million, continues to grow, however, as workers from economically-depressed Northern cities migrate South. While the Conference Board's Help-Wanted Advertising Index dropped to 110 nationally in October, its lowest level since 1977, Houston recorded an astounding 480.

Strong migration could help some chains as newcomers ar-

(Continued on page 34)

Houston market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Handy City	18	$57.6	95
Boise Cascade	10	34.0	47
84 Lumber	8	12.6	55
Furrow	6	34.2	95
McCoy's	4	11.8	80
Walker-Kurth	4	18.3	50
Homer's	3	7.9	100
Sutherland Lumber	3	9.3	75
Montalbano Lumber	2	15.0	70
Olshan Lumber	1	19.0	80

Source: NHCN research

Housing slowdown forces Bering's to shift gears

HOUSTON—Another independent here has gone out of the building supply business, but with a twist.

Bering Home Center is now just Bering's, a hard lines department store that evolved from a lumber yard.

The 25,000-sq.-ft. store, with 86 employees, does 25% of its business in housewares and gifts, according to president Norman J. Bering. Those items include a $1,000 Chinese screen.

Bering's is located in Houston's affluent western suburbs. Its unique product mix was shaped by customer demand rather than competition from chains that have scattered through the metro area recently, Bering said.

He was optimistic about the housing picture in Houston.

"People are coming here but there's no place to live. Everything's full. A lot of people coming from Detroit can't afford new homes. There's an apartment shortage," Bering said. "We'll have one hell of a building boom as interest rates come down."

METRO MARKET OUTLOOK

Warehouse-style retailing stars in Atlanta

ATLANTA—The home center story here continues to be The Home Depot, the warehouse-style, high-volume, low-overhead operation that produced sales of about $30 million last year in its four Atlanta stores alone.

Predictably, Handy City, the Grace chain with eight stores here, was affected by The Home Depot, since both firms are consumer-oriented.

More surprisingly, however, contractor facilities are also noticing that the warehouse stores, less than three years old, are affecting their business.

"The Home Depot is giving us all fits here," said Robert H. Lummus Jr., president of Lummus Supply, a four-store independent that has operated in Atlanta since 1925.

"We've carried Black & Decker for 20 years, but we're cutting it out," Lummus said, "because The Home Depot is footballing it."

A saw that Lummus said he would normally sell for $44.95 is being offered by The Home Depot at $31, which is Lummus's cost.

"We went to Makita," he said, "and we're still making our 35% markup." Lummus Supply has lost the low end of the business, however, and now sells no saw for less than $80.

The bright spot for independents and chains in Atlanta is the city's general economic picture. With a cross section of industries represented here, including 430 of the Fortune 500, Atlanta is less vulnerable to swings in the economy than most other cities.

Housing starts have remained relatively firm with single-family dwellings up 6.1% and multifamily units down only 4.7%.

Atlanta's main growth continues to be northward, but less expensive real estate and the lure of recently expanded William B. Hartsfield International Airport, one of the world's busiest, is expected to spur development southward.

The health of the building industry is particularly important to the building supply operators here since most, other than The Home Depot and Handy City, are contractor-oriented. Of five Lowe's stores, for example, only two aim for strong consumer sales and even those have not been changed to Lowe's new RSVP sales floor format.

Still, Lowe's enjoys an increased market share, according to regional director Vernon McGimsey, who claims that Wickes Lumber has recently been less of a problem.

Georgia Pacific cuts into sales, however, even without any stores in the market. The company has a distribution center in Atlanta and sells to builders directly, McGimsey said.

Lowe's is generally in smaller markets. Chairman Robert Strickland, speaking recently at a meeting of security analysts, recognized The Home Depot as one of the nation's best big-city home center operations along with Hechinger, which serves the Washington, D.C., Baltimore, Richmond, Va., and various eastern Pennsylvania markets.

While Lowe's and other Atlanta chains with significant contractor business have not adjusted dramatically to The Home Depot's competition, Handy City, perhaps the most directly threatened, has tried an aggressive pricing approach.

Ever since The Home Depot arrived in Atlanta, however, Handy City has had a series of management shakeups, and the warehouse operation continues to claim a growing market share.

Atlanta demographics

***Population*—2,064,200**
***Population aged 25-49*—786,400**
***Disposable income*—$17.3 billion**
***Total retail sales*—$9.6 billion**
***Building materials/hardware sales*—$387 million**

Source: Sales and Marketing Management

Atlanta market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Handy City	8	$14.3	100
Wickes Lumber	7	22.4	47
Williams Bros.	7	18.0	60
Lowe's	5	21.1	50
West	5	11.5	75
The Home Depot	4	30.0	100
Lummus Supply	4	8.2	40
84 Lumber	3	4.7	55
Sutherland Lumber	1	3.1	75

Source: NHCN research

Houston

(Continued from page 32)

rive without loyalty to any local business, a factor that slowed Handy Dan's penetration of the Dallas market during the 1970's. Handy Dan debuted in Houston in the late 1960's.

Home center health should also be boosted by strong remodeling and repairs, which totaled $61.3 million for the first nine months of 1981, up 12.3% over the same period in 1980, according to the Department of Commerce.

Retail sales also remain fairly strong.

The Houston Chamber of Commerce reported a 13.4% increase for the first nine months of 1981 over the same period last year. Between 1977 and 1980 retail sales soared 62.5% to $18.1 billion.

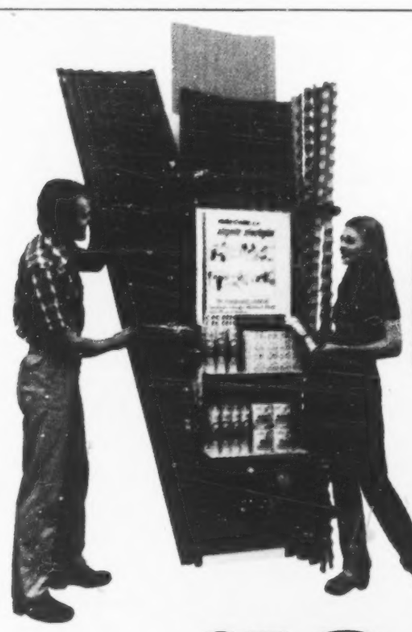
The continuing migration of professional and managerial workers has lifted Houston's per capita income from 2.5% above the national average in 1969 to 21.5% above in 1979, a chamber spokesman said. That increase placed Houston 10th among United States cities in per capita income.

The size of the Houston SMSA, 6,970 square miles, requires a large number of stores for market coverage. Costly advertising is also an impetus for high store counts.

None of the eight chains operating in the Houston market comes close to Handy Dan in number of units, however. Boise Cascade is second with 10, and Furrow has made significant strides with its six relatively new units.

More importantly, perhaps, Handy Dan's slick home center merchandising formula seems unique in a market where more of a strict building supplies approach still seems to be the rule.

As one independent said: "We could give the customer everything for a house. At Handy Dan, he couldn't even start a garage."



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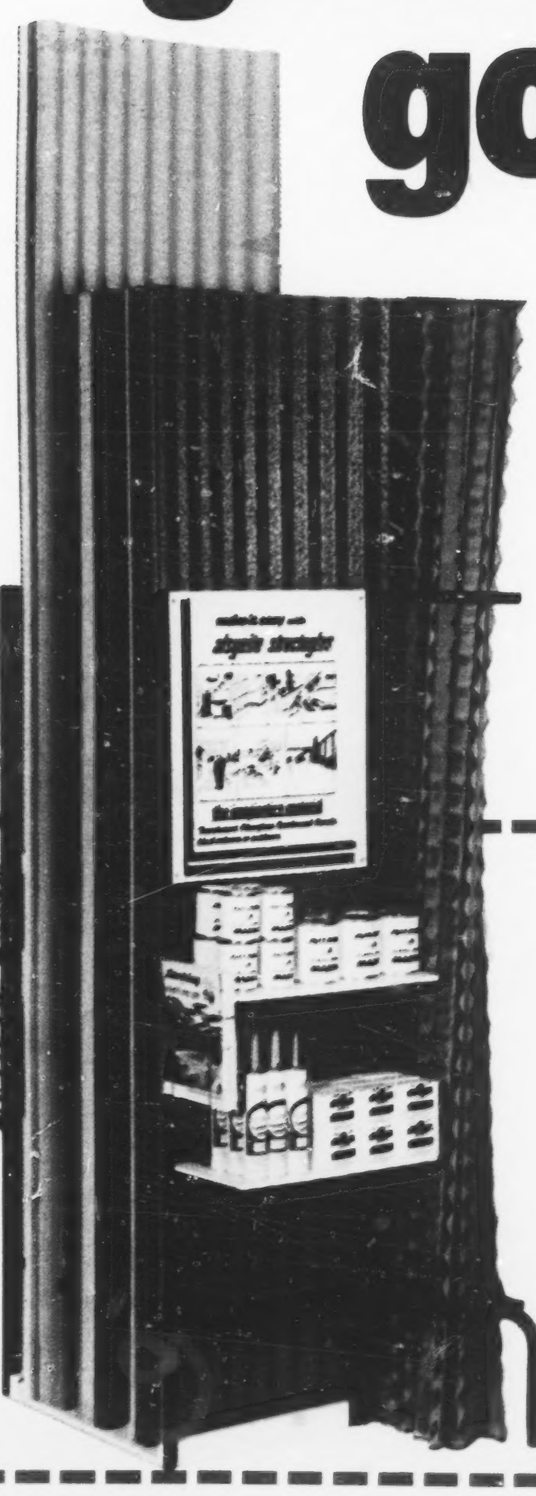

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METRO MARKET OUTLOOK

The Windy City weathers climate of recession

CHICAGO—To home center operators here, the Windy City is a town worth staying in.

Chicago and its suburbs have shown remarkable resiliency in the face of declining population and industry bases and high unemployment, which hit 7.9% in the market last September.

Chicago is not without its problems, of course. The city lost 10.8% of its residents (now about 3 million) over the last 10 years, and the market's housing situation of 7,675 single-family unit starts for this year, while 16.8% better than 1980 totals, are about half what they were in 1979 (14,368).

Retailers, however, cite a renaissance of sorts now taking place downtown, and the renewal is spreading throughout the market, making it more attractive for people and businesses to move back into the area.

Chicago demographics

***Population*—7,118,000**
***Population aged 25-49*—2,427,000**
***Disposable income*—$67.7 billion**
***Total retail sales*—$30.8 billion**
***Building materials/hardware sales*—$1.033 billion**

Source: Sales and Marketing Management

Chicago's recovery and stability are two of the reasons why it remains one of the most highly competitive home center arenas in the country. No fewer than nine chains do business here.

"Several of the most competent home center retailers in the United States are located here," said Jim Gee, president of Gee Lumber which has been in Chicago since 1947. "But while the competition is tough, it isn't cutthroat as in other cities."

Gee noted that because many of the retailers, including himself, have their roots in Chicago, and have grown through acquisitions of indigenous stores, there has been little dilution of market share. He added, however, that companies trying to break into the market have not had an easy time because "they don't understand Chicago the way we do."

The prominent outside chains with stores in Chicago are: Hill-Behan, St. Louis; Forest City, Cleveland, and Handyman, San Diego. Combined, their total of 15 units captured $43 million in 1981 sales. Gee's eight Chicago stores alone collected $26.1 million.

"We only have four stores in Chicago, but we'd really need between 12 and 16 to really make any kind of impact on the market," said Steve Bakowsky, vice president, marketing for 21-unit Forest City which has been considering expansion in Chicago for more than a year (*NHCN*, Dec. 15, 1980).

Walter Borg, merchandise manager for the 33-unit Hill-Behan chain, expressed considerable optimism about the future of Chicago. The chain's seven stores here produce about 35% of its total volume.

"There are no national chains here that can dominate the market," he explained. "Chicago has an extremely concentrated population which increases overall sales and market coverage. We seem to have access to many major manufacturers here, which keeps us abreast of any market trend changes."

Borg indicated that, were Hill-Behan to expand in Chicago, it would be into the prosperous western suburbs.

"I think there's room for growth by the chains that are already here," he said, "but it would be very tough for somebody new to come in and set up shop. The market's retailers are too strong."

According to Ted Joseph, executive secretary of three-unit Joseph Lumber here, one chain that has creeped into the picture is mammoth 350-unit 84 Lumber with stores in the market's outlying regions.

"It is still pretty small [three stores] but 84 has successfully bid for some of the contractor business that we were getting, and it will be a factor to contend with," Joseph said.

In addition, the two largest wholesale co-ops, Chicago-based Ace Hardware and Cotter & Co., operate several stores in the market, including the Kin-Ko Ace chain and Cotter's E-G Home Centers in outlying Downers Grove and Carol Springs, respectively.

As for Joseph Lumber, the chain's three units serve the residents in the market's northeast inner city, which Joseph feels is responding to the redevelopment of the downtown area.

"Ten years ago, you would be afraid to walk down the street in many neighborhoods, but now they are mostly safe because people are committing themselves again to making urban communities work," he said.

He added that his stores are capturing a good portion of their sales from younger people moving into condominiums and townhouses, and he expects this to continue.

Another company thinking of expanding within the city limits is four-unit Courtesy Home Centers, which nearly every retailer in this market labeled as its main competitor. Based in surburban Mount Prospect, Ill., Courtesy currently has one store within the city limits.

The chain's president, Joseph Ender, said that what distinguishes his stores from other companies are their size (50,000-plus sq. ft.), their staff (90 full- and part-time employees), Courtesy's advertising (eight pages of ads weekly and a 12-page ad once a month), and their inventory (each unit has its own warehouse).

While noting that Chicago's independents and small chains are very strong, Ender listed Edward Hines Lumber, Gee Lumber and Handy Andy as the market's feature players.

"Hines is a latecomer to the home center business, but they're really pushing hard now," he said, "and Ron Rashkow [Handy Andy's president] is one of the smartest executives I know.

"Chicago is like every other city," he added, "in that redevelopment starts downtown and moves outward. I'm very high on the success of that development and on the market's future, and it seems to take us less and less time for our new stores to turn a profit."

Chicago market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Edward Hines Lumber	25	$62.0	40
Gee Lumber	8	26.1	75
Handy Andy	7	36.0	98
Hill-Behan	7	12.9	60
Kin-Ko Ace	5	4.8	90
Courtesy	4	21.0	100
Forest City	4	19.0	100
Handyman	4	11.5	100
Joseph Lumber	3	13.0	70
84 Lumber	3	4.7	55
E-G Home Centers	2	7.5	95

Source: NHCN research

Chicago is seen as a city with continuing growth potential by home center retailers who point to its downtown revitalization as a sign of the market's overall future strength. NHCN photo

Twin Cities get new life as regional starts rebound

MINNEAPOLIS/ST. PAUL—While some observers characterize the housing industry here as "terrible and getting worse," economic indicators hint the situation may not be quite so bleak.

New housing starts in the North Central region were up 31% in October compared with September, according to the National Assn. of Home Builders.

The association forecasts that 1981 total starts will equal 1980's 13,000 units and that single-family starts will equal 1980's 8,700 units. Both categories fell nearly 30% from 1979 to 1980.

Interest rates on conventional 25-year mortgages, however, dropped sharply from a September rate of 18.81% to an October rate of 15.63%, including fees, on loans for 75% of the price of homes, according to the Federal Home Loan Bank Board.

September unemployment statistics for the Twin Cities, meanwhile, were among the lowest in the country, standing at 4.3%, compared to the national average of 7.3%.

"We're a heck of a lot better off than many places in this country," said Chuck Davis, merchandise manager for Great Plains Supply, St. Paul. The former Warner Hardware executive views Eden Prairie, Plymouth, Bloomington and Woodbury as major growth areas in the market.

Minneapolis/ St. Paul demographics

***Population*—2,127,600**
***Population aged 25-49*—759,600**
***Disposable income*—$19.6 billion**
***Total retail sales*—$10.5 billion**
***Building materials/hardware sales*—$570.6 million**

Source: Sales and Marketing Management

Even contractor-oriented Lampert Lumber, with two Twin Cities locations, saw "a slight improvement" in sales in 1981 despite the housing market, according to Dick Bolstad, supervisor of the two units.

DIY sales look solid, and are supported by Menard's and Knox Lumber, two of the strongest medium-sized chains in the industry.

Menard's, under the leadership of its enigmatic president, John Menard, entered the area in the mid-1970's and now has stores in West St. Paul, Burnsville, Fridley, Oakdale, Eden Prairie and on Highway 12 in Golden Valley.

The chain is a major factor in this market and features a low-priced, warehouse approach to DIY retailing. Its sales in the Twin Cities are estimated at $50 million.

Knox Lumber, however, with five stores in the area, still ranks No. 1 in the Twin Cities, with estimated sales of $60 million. Knox units are located in Burnsville, Little Canada, Brooklyn Park, St. Paul and Hopkins, the chain's newest outlet. About 80% of the chain's sales are to DIYers.

Budget Power operates four stores in Minneapolis/St. Paul, two in Hopkins and one each in Minnetonka and Bloomington. *NHCN* estimates Budget Power's sales are $15 million.

Minneapolis/ St. Paul market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
Warner True Value Hardware	22	$33	95
Budget Power	8	15	90
Menard's	6	50	85
Plywood Minnesota	4	12	100
Lampert Lumber	2	10	40
Justus Lumber	1	4	40
Shaw Lumber	2	10	25

Source: NHCN research

Budget Power appears to be most vulnerable to a Menard's onslaught, however, according to one observer.

"Menard's is taking business away from everyone, but Budget Power appears to be suffering more than the others," Great Plains Supply's Davis said.

Plywood Minnesota, strong in decoratives, is not considered to be in direct competition with Menard's, Knox Lumber and Budget Power. With units in Bloomington, Fridley, Golden Valley and St. Paul, the chain does an estimated $12 million in sales in the market.

Other home center chains in the market are Lampert Lumber, which had sales of about $10 million at its two Twin Cities stores during 1981, Warner True Value Hardware and Payless Cashways.

At Lampert, Bolstad would like nothing better than to see the chain's 60-40 contractor-DIY mix reversed this year through an upturn in the housing market.

Warner has 22 units, including 16 in Minneapolis, five in St. Paul and one in Cottage Grove, southeast of St. Paul. Although Warner appears to blanket the market, 14 outlets are smaller hardware-oriented facilities.

NHCN estimates that Warner had sales of $33 million in the area during 1981.

METRO MARKET OUTLOOK

Phoenix called 'brightest spot in Southwest'

PHOENIX—"The brightest spot in the Southwest," is how O'Malley Lumber's general manager Dean Drake describes the booming Phoenix market.

His optimism is supported by the National Assn. of Home Builders metro forecast of housing starts showing single-family home starts in 1981 at 15,000 units, up 20.2% from 12,483 in 1980.

Entire alfalfa fields in towns like Chandler, just outside Phoenix, have been replaced "with a sea of roofs" in the past two years observed Nick Einfeld, president for Angels' Arizona division.

The increase in housing starts is particularly significant in view of the fact that interest rates on conventional 25-year home mortgages in the area are among the highest in the nation: 19.41% in October, up from 18.21% in September and 14.13% in October 1980, according to the Federal Home Loan Bank Board.

The rates, which are based on loans for 75% of the price of the home, including fees, are well above the 18.17% national average posted this past October.

Eugene M. Ray, president and chief executive officer of Ray Lumber, the major independent home center in Phoenix, offered an explanation for this apparent contradiction.

"There are a number of homes in the $300,000-$1,000,000 price range being built around here," he said. "These people generally pay cash for their homes and don't require mortgages to finance construction," Ray concluded.

With 12 stores in the market, O'Malley is by far the leading home center chain in Phoenix. *NHCN* estimates the chain's 1981 Phoenix area sales at $60 million, about a 20% share of the $332 million building materials/hardware market.

O'Malley operates five stores in Phoenix proper, including the chain's newest unit in the northeast section of town, and one each in Tempe, Scottsdale, Mesa, Buckeye, Glendale, Sun City and Apache Junction. The stores average 20,000-25,000 sku's.

According to merchandise manager Jerry Hancock, O'Malley's retail sales are strong. "We were ahead of 1980 and things are looking pretty good for 1982," he said. *NHCN* estimates O'Malley's 1981 DIY volume at $26 million, representing an 8% increase from 1980.

One result of the slow housing market is that over the past eight months O'Malley's DIY-contractor ratio has changed from 30-70 to 50-50, Hancock said.

Drake predicted that strong growth will resume "as soon as some of the monetary and economic rules are straightened out and people are encouraged to buy homes. Drake said that "there is a tremendous market for new homes here right now."

Drake added, "Phoenix itself is expanding at such a clip that there is ample room to expand our business right here. The growth of this area is greater than any other major metro area we're in. It's a solid area and it's maturing."

The population of the Phoenix SMSA in 1980 was approximately 1,559,800, a 61% increase from the 971,228 recorded by the 1970 census.

The No. 2 chain in the market is W. R. Grace-owned Angels which operates eight area units, including four in Phoenix and one each in Tempe, Mesa, Stockdale and the newest in Chandler.

NHCN estimates Angels' volume in the market at $30 million.

A typical Angels carries about $1 million in inventory and 22,000 sku's. Stores average three and a half turns annually.

Angels' current marketing strategy is centered around reestablishing its pre-1970 image of low everyday prices, quality products and a more pleasant shopping environment.

The chain's advertising consists of approximately 80% direct mail, 15% television and 5% newspapers. O'Malley, in contrast, devotes 75% of its advertising budget to newspapers, including 12-page tabloids, with the balance divided between radio and TV.

San Diego-based Handyman operates five stores in the Phoenix area, including three in Phoenix proper, one in Scottsdale and one in Mesa. *NHCN* estimates Handyman's 1981 sales at $13 million.

Vice president Norman Fox described the market as "very competitive" with much growth north and west of the metro area and east of downtown.

Other home centers in the Phoenix area include the Mesa 84 Lumber with estimated sales of $2 million in 1981; Ray Lumber, with stores in Phoenix and Scottsdale, a 40/60 DIY mix and estimated sales of $13 million, and Jack Building Materials, a 70% DIY store located in Phoenix with 1981 estimated sales of $8 million.

Phoenix demographics

***Population*—1,559,800**
***Population aged 25-49*—521,000**
***Disposable income*—$12.2 billion**
***Total retail sales*—$6.5 billion**
***Building materials/hardware sales*—$332 million**

Source: Sales and Marketing Management

Phoenix market coverage

Chain	Number of stores	1981 Market sales (est.) (in millions)	% DIY
O'Malley Lumber	12	$60	50
Angels	8	30	100
Handyman	5	13	100
Payless Cashways	3	17	95
Ray Lumber	2	13	40
Lumber Jack Bldg. Materials	1	8	70

Source: NHCN research

Denver

(Continued from page 28)

other in Longmont. Buyer Steve Stookesberry described the market as "very competitive in pricing with a great deal of advertising and promotional activity," with the DIY-oriented chains "hanging in there." Economy is a radio sponsor of Denver Bronco football games. The two Denver-area Economy stores are estimated by *NHCN* to have a sales volume of $10 million.

Sutherland Lumber operates three stores in the Denver market located in Boulder, Denver and Littleton.

The three stores' sales are estimated at $12 million during 1981.

Payless Cashways' three Denver-area stores, located in Aurora, Sheridan and Westminster, had an estimated combined sales volume of $21 million during 1981.

Wickes Lumber operates in Boulder and Longmont. Sales volume for the two stores during 1981 was estimated at $8 million.

Everitt Lumber, based north of Denver in Fort Collins, Colo., operates a single store in the area located in Longmont, with estimated 1981 sales of $2 million.

Growth areas in the Denver market include Arapahoe and Jefferson Counties, to the south and east, and Boulder County outside the city of Boulder, where growth has declined since the passage of a "no growth" bill several years ago.

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Independents dominate in Philly

(Continued from page 30)

there."

Price-Rite is a 16,000-sq.-ft., full-line unit, which, as its name indicates, also features competitive pricing.

Competitors within the city limits aim at remodelers.

"If you look at a map of Philadelphia and the population density, especially in western Philadelphia," Price-Rite's Roland explained, "you'll find old row homes, wall-to-wall people and blue-collar workers who can't replace their homes. They look at changing their four walls as entertainment and an investment."

Some of the problems for major chains may rest in the fact that remodeling is strong but new housing starts in the area are not overwhelming. While the metro area ranks fourth in the country in population, its single-family housing starts ranked 12th at 8,100 in 1981.

Erlbaum pointed out that Langhorne, Pa., north of Philadelphia, was destined to be a major construction area. Wickes Lumber, 84 Lumber, Hechinger and Channel have all located there, but the population has yet to grow enough to support all the stores in the area.

Philadelphia has already claimed one major chain, Panelrama, whose owners opted for other ventures rather than continuing in an ailing business.

Channel already has 15 stores in the market, but their impact on it is questionable, observers noted.

One source said Grossman's wanted to put 10-12 stores in the Philadelphia market but stopped at four units after being disappointed with the performance at those stores.

Rickel Home Centers may be one of the smarter chains in the area. It opened only its second store in the market in Broomall, Pa., recently and indications are that it will do well.

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SECURITY/SHORTAGE CONTROL

Control system study can help spot problems

By Bob Curtis
Special to NHCN

Many home center operations waste considerable time and effort in trying to correct inventory shortage situations that are in fact nonexistent. Or, they are too often unaware that major theft losses are occurring because company records are poorly designed and inaccurate.

The foundation to a sound, secure home center requires a periodic review and upgrading of your control systems and procedures to insure that they are complete and reasonably accurate.

A major part in any security study of a home center operation includes a systems study.

As a consultant, I make a thorough review of all company procedures. I am interested in the original design of the controls, and I am interested in whether the procedures are being followed in the manner intended.

Weaknesses, however, can occur in both these areas.

Over some 18 years of doing retail security audits, I have designed a checklist which a home center manager, concerned about high inventory shortages, will find useful in determining the effectiveness of his operational control systems.

Store owners and managers may recognize the need for a control-systems analysis, but they often do not know where to start. Perhaps my checklist will be helpful.

- List the key control systems now in use.
- List any control procedures you know are lacking.

Bob Curtis, security consultant to retailers

- Misplaced emphasis can result from poor understanding of priorities. Therefore, try to evaluate the relative importance of each control already in use in terms of protecting company assets, and place the controls in order of their priority. Some procedures such as cash handling and receiving and credit controls may likely fall into a top-priority group.
- Review the written procedures. Go out into the store and walk through the procedures yourself to see that their actual operation conforms to the written systems. You will soon know what systems are being enforced and what systems are improperly implemented.
- Wherever you find violations of the procedures, try to determine the reasons for the changes.

Was the system redesigned without changing the operations manual? Was the original control unrealistic in terms of time and staff, or was it just impossible to enforce?

Perhaps the difference between the controls being properly followed and those not being enforced is not a failure in the procedural design but a poor job of supervision.

- As you are doing this survey, keep an eye out for needless duplication of records or unnecessary duplication of handling. Where you can, simplify your procedures without weakening their effectiveness.
- In addition, review the supervisor's and worker's job descriptions to see if they are working within the framework of those descriptions. If you find a control not operating, determine if the person responsible for it has been charged with handling the procedure in his job description. Should the procedure be added to the description?

At this point, you will have considerable knowledge about how well the various operations are working.

Now comes the tough part. Does a weak system need redesign, or is the fault that of the supervisor?

We are often too quick to blame a supervisor when control procedures break down. It is wise to look beyond the supervisor for other factors.

Check to see if you have given the supervisor the authority necessary to carry out all his responsibilities. If you do not trust the individual enough to give him the authority needed to discharge his responsibility, then you should not make him a supervisor.

Next question

When you find certain things are not controlled, ask yourself if it is realistic to attempt the kind of control originally prescribed. If not, the next question should be: what part of the operation can logically be controlled?

Sometimes, a control is not feasible because it is not cost-effective. It may take too much manpower to handle. When this occurs, you seek an alternative method of control that is realistic in terms of cost and staff.

It is often helpful to step back from your business and make a list of the operations you believe are controllable. This list may include receiving, transfers, overtime, training, supplies and payroll.

Next, make a list of items or operations that cannot be controlled. This list may include absenteeism, indirect administrative costs and salvage.

Accept the fact certain items cannot be controlled because of costs, insufficient staff, lack of space, inadequate facilities and even chance.

Next, look over the list of uncontrollable items and see if partial controls can be used for any of them.

Most importantly, give your greatest attention to the key items that most commonly protect company assets. Do present procedures have any obvious weaknesses in these high-priority operations?

What about the supervisors and key personnel who are responsible for enforcing control systems? Are they competent, careful and qualified to do this work?

If they are not, do they need retraining, or tighter management review of their work? Should they be moved to other work and replaced with qualified personnel?

This is the toughest step in upgrading control systems. When you become aware that an employee cannot do his job, you must be tough-minded and replace him with someone who can do the job.

The greatest weakness I usually find in home centers with serious shortage problems is the inability of the managers to remove incompetent persons from key control positions.

People are the key to successful control in any enterprise because the only individuals that can actually control any events in your company are the people who are at the spots where the events take place.

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Miami's sunny business climate

(Continued from page 32)

One of these is Fort Lauderdale, which Regato predicted would be "one of the more important home center markets in the 80's." Located 25 miles north of Miami, the Fort Lauderdale SMSA experienced a 62.2% increase in its population over the last 10 years.

According to Glenn Spoor, general manager for the Red Thumb Home Center chain, Fort Lauderdale is a much easier and potentially more prosperous place to do business than Miami now, and he looked amusedly at the impending battle between Lindsley and The Home Depot (whose stores are really closer to Fort Lauderdale than Miami).

"I expect there will be some fireworks, because The Home Depot is trying to establish traffic with high volume, low margin merchandising. But our chain will be able to respond to that a lot more quickly than Lindsley simply because we're smaller."

Spoor said, though, he would now be a bit more selective in the items he places on sale, and would not be going up against The Home Depot on a head-to-head basis too often.

"There's plenty of business down here," he continued, "because the market is so massive and there's so much land development going on. I see no danger of market saturation yet, and feel Fort Lauderdale, and even Miami to a lesser degree, are excellent places for retail companies."

And, in spite of the temporary problems Miami may be having, retailers such as the mammoth Scotty's chain are still looking toward it as a place to expand for the future.

The $206 million, 81-unit chain currently has two units in Lauderhill and Pompano Beach, and is in the midst of constructing a new store in Palm Beach. In addition, it is experimenting with a 15,000-sq.-ft. warehouse-style home center, going under the name of Thrifty, in Hollywood, Fla. (*NHCN*, Dec. 7, 1981).

"Our main priority has been to fill in the gaps in our existing markets in north and central Florida," said vice president and general sales manager Dennis Stults, "but we're very interested in the Dade-Broward county market as being very substantial and a market we will probably be going into in the next few years."

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	10/31-3th qtr.	$ 54,420	$ 43,318	26	$2,181	$1,694	29
Lowe's	10/31-3rd qtr.	227,910	248,181	– 8	4,859	6,976	– 30
Pay 'n Save	10/31-3rd qtr.	228,809	198,356	15	2,003	3,656	– 45
Scotty's	11/21-4 wks.	22,527	22,679	– 1	—	—	—
Supermarkets General	10/31-3rd qtr.	752,396	653,049	15	6,233	7,029	– 11
Wickes	10/31-3rd qtr.	1,082,093	909,523	19	2,900	1,112	161

*$ in thousands

Southwest Forest income drops in third quarter

PHOENIX—Southwest Forest Industries has reported third-quarter net income of $1,664,000, a huge decline from the comparable 1980 figure of $9,094,000.

W. A. Franke, president and chief executive officer, blamed the poor showing on the depressed housing market, which is pushing prices for building materials to new lows, and a reduced demand for two of the company's primary paper products.

Southwest's building products group experienced its worst quarter in several years and operated at a loss. Through much of the quarter, eight of the company's 14 lumber and plywood manufacturing plants were closed, and two others operated on curtailed schedules.

Income from Southwest's paper products group was 27% below the comparable 1980 period due principally to lower demand and prices for linerboard and hardwood pulp.

Franke was not optimistic about the rest of 1981. "I do not see any improvement occurring in housing this year, and I don't believe our building products operation will significantly improve until mortgage rates move below 14%," he said.

"If this reduction occurs, renewed consumer confidence will help the residential construction industry," Franke surmised.

STOCK PRICES

Companies with predominant home center sales

	As of 11/25	As of 12/2
Lowe's (NYSE)	12¼	12½
Payless Cashways (NYSE)	17½	18¼
Scotty's (NYSE)	19¼	18

Over-the-counter stocks

	As of 12/2 Bid	Asked
Erb Lumber	10½	12
Hechinger	15¾	16
The Home Depot	17¼	17¾
Pay 'N Pak	14⅛	14⅜
Wolohan Lumber	3⅜	3⅝

Companies with significant home center sales

	As of 11/25	As of 12/2
Action Industries (AMEX) [Action Home Centers]	2⅞	2½
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	11⅜	11¼
Boise Cascade (NYSE)	34¾	35⅝
Cyclops (NYSE) [Busy Beaver]	27¾	27½
Diamond Int'l (NYSE)	35½	37¼
Edison Brothers (NYSE) [Handyman, Homer's]	26⅞	26⅞
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	20¾	20⅛
Forest City (AMEX)	13¾	13
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45⅛	45¼
Interco (NYSE) [Central Hardware]	48⅝	48⅝
Peavey (NYSE) [Fish, Peavey/Thunderbird]	22¾	21¾
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	16¾	16½
Supermarkets General (NYSE) [Rickel]	19	19⅜
Union Camp (NYSE) [Homecrafters]	46½	48½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	10	9⅞

Over-the-counter stocks

	As of 12/2 Bid	Asked
Dart Drug	11⅜	11¾
Hines Lumber	17	18
Pay 'n Save [Ernst, Von Tobel's]	23⅛	23¼

Safe sales rose 30% last year at home centers

NEW YORK—Home centers are among the fastest-growing outlets for home safe sales, according to a leading manufacturer of safes.

"We've seen home center-type outlets post a 30% increase in safe sales this past year," a spokesman for the company said. Total retail dollar volume for home safes is expected to approach $100 million this year and company officials anticipate another 20% increase in 1982.

Major factor

The spokesman suggested that heightened consumer awareness of home security products and the grouping of those products in their own areas are contributing factors.

As recently as five years ago, the manufacturer, John D. Brush & Co. said, locksmiths and office-supply dealers sold most of the record-protection safes.

Since 1975, however, a shift in buying patterns has resulted in the hardware-type outlets accounting for a majority of all safe sales.

Action reports loss in 1st qtr.

CHESWICK, Pa.—Action Industries, parent company of 13-store Action Hardware, has reported a net loss of $412,500 (24¢ per share) on sales of $16,845,300 for their fiscal first quarter ended Sept. 26, 1981.

Chairman Amos Comay blamed the decline on "continuing losses" in the retail division, which includes the 13 home centers and 11 hardware outlets. Action recently closed one hardware store and sold another.

Mr. Comay would not reveal any sales or earnings figures for the retail division. *NHCN* had projected a 1981 DIY volume of $25,000,000 for the Action home centers.

During the fiscal first quarter of 1980, the company had net earnings of $314,700 (19¢ per share) on net sales of $15,034,800.

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Inflation figure in '82 should drop to 7.8%

NEW YORK—The Conference Board's latest survey of financial indicators reports that the nation's inflation rate will fall substantially in 1982 and decline even further in 1983.

According to the panel of financial executives, inflation will average 7.8% in 1982, down from the current annual rate of 9.4%, and is expected to fall to 7.3% in 1983.

The panelists have sharply lowered their estimates for United States economic growth, with real Gross National Product expected to average only 2.2% in 1982, down from a 3.7% rate forecast early this year. For 1982, real GNP is expected to average 3.5%.

Despite the optimistic forecasts on inflation, the panel predicts that long-term and short-term interest rates will fall only moderately. The rate for new triple-A industrial bonds is now put at 13.8% in 1982, well above the 12.5% rate projected by the panel earlier this year. The prime rate is expected to average 16% in 1982 and 13.7% in 1983.

The panel expects companies to rely more heavily on internal funds for their financing needs during the next 12 months, with nearly half of the panelists expecting internal funds to rise by at least 5% in relation to their total corporate funds.

Net bond issues

As for external funds, the panel expects companies to continue their use of net bond issues and to no longer rely heavily on commercial paper.

The United States dollar is expected to weaken against the German mark, Japanese yen and Canadian dollar during the next six months, the survey finds, with the price of gold expected to rise against the United States dollar during this period. The Dow Jones index is expected to average 956 in 1982, advancing to 1,071 in 1983, according to the panel.

FUTURES

Two weeks ended Dec. 11, 1981

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Jan. '82	162.50	147.90	150.90	160.00	2,584	245.00	136.10
March	175.70	159.80	162.80	173.00	2,924	247.50	149.70
May	182.80	166.10	167.80	179.90	1,344	220.30	157.10
July	190.30	175.40	176.70	188.30	766	224.50	166.90
Sept.	196.20	182.50	184.70	196.00	431	229.50	171.50
Nov.	196.00	182.10	183.30	196.00	451	224.50	172.00
Jan. '83	204.00	188.90	191.00	204.00	378	205.50	184.00

Total Contract Vol. (Through 12/11): 23,435
Total Open Interest (As of 12/10): 8,884 — **Previous Week: 9,081**
Cash Price: $141.12 — **Previous Week: $142.10** — **Year Ago: $148.96**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan. '82	183.00	166.00	169.00	182.40	647	232.00	160.00
Jan. '82*	202.50	186.80	192.00	202.50	1,549*	244.00	180.30
March*	208.90	193.30	197.80	208.00	1,650*	252.00	187.50
May*	214.00	199.20	203.00	213.60	635*	241.00	194.00
July*	219.00	204.00	207.00	218.50	228*	219.00	200.20
Sept.*	224.50	209.50	211.50	222.00	291*	224.50	204.00
Nov.*	228.00	217.00	217.00	228.00	5*	228.00	217.00

*Revised Contract.

Total Contract Vol. (Through 12/11): 5,865
Total Open Interest (As of 12/10): 647 — **Previous Week: 811**
Cash Price: $188.16 — **Previous Week: $190.12** — **Year Ago: $217.56**

COMMODITY RESEARCH BUREAU INDEX:	This Week 255.1	Previous Week 264.8	Year Ago 295.1

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, Dec. 10.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

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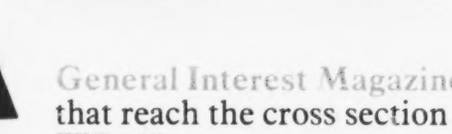

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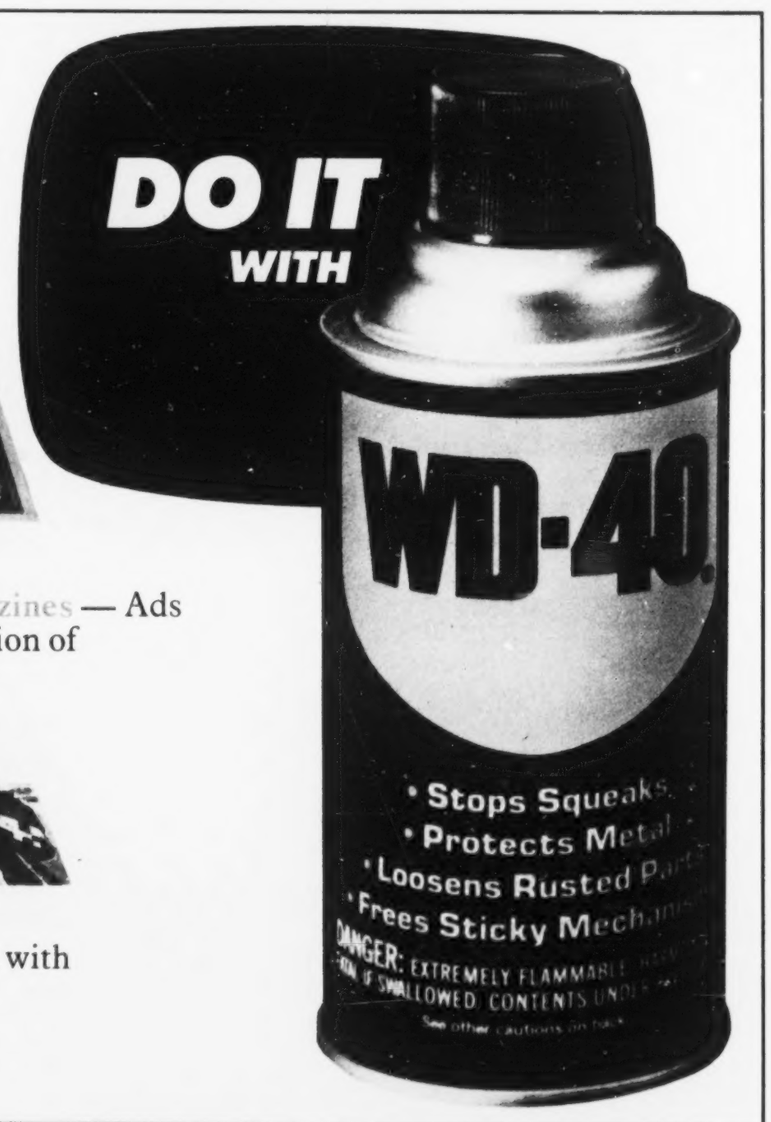

Lumber photo feature pp.23-29

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National Home Center News®

Vol. 8, No. 2 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • January 18, 1982
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Interest rates clamp lid on inventory levels

NATIONAL REPORT—Inventory levels at home centers around the country have dropped appreciably, or at least stabilized, as retailers continue to combat high interest rates on borrowed money by refining their inventory control methods.

For some, like Brookhart Building Centers, Colorado Springs, this means greater reliance on wholesalers and manufacturers to carry some of the burden. Wolohan Lumber, Saginaw, Mich., is among several chains that have stepped up management training programs. Companies such as Scotty's, Winter Haven, Fla., Forest City, Cleveland and Boise Cascade, Boise, Idaho are relying more heavily on market forecasts generated from newly installed computer systems in their respective distribution facilities.

Consumer concern about rising unemployment and continued uncertainty over the prospect of economic recovery have dampened retail demand for many products, causing inventories to back up through the manufacturer/wholesaler/retailer pipeline. According to the industry division of the Bureau of the Census, the book value of inventories for all manufacturers rose 8.6% to $278.4 billion in October, the most recent period for which figures were available, with the building materials category jumping about 12% to $22.5 billion.

While much building materials inventory is generally clogged at the producer end of the pipeline, many wholesalers, feeling competitive pressure, have tended to increase inventories—sometimes as much as 20%—and services to maintain ample business activity (*NHCN*, Oct. 26, 1981).

On the home center front, most dealers are making some headway in their attempts to run "lean and mean" with their stock, like the six-unit Brookhart, which has brought its inventory levels down 12% to about $3.5 million. Part of the reduction was attributed to the chain's move to increase the amount of business it does with co-op distributor Ace Hardware by 50% to $1.5 million.

Chain president Tom Watt said his two main concerns in determining what his inventory levels should be are profit margin and whether it is more profitable to buy merchandise directly or on a two-step basis. "I would like to pare off another $500,000 from our inventory," he said. "But we have to see what effect our actions this year have on our product mix."

Ed Seymour, president of 21-unit Forest City, said that through information gathered from the company's new computer-tracking system in its warehouse, the $110 million chain has been able to "eliminate a lot of fringe items, and has greatly reduced the carryover levels on seasonal products."

The $24 million in inventory the company carried at the end

(Continued on page 44)

Computers, training key to strategies

Inventory control now crucial

By John Caulfield, *NHCN field editor*

NATIONAL REPORT—Inventory control, often a neglected part of home center strategic planning, is becoming a critical issue for industry executives, some of whom now consider it their No. 1 priority.

Battered by high short-term borrowing costs over the past 18 months, chains are launching staff training programs, refining computerized information systems, and even hiring consultants in an effort to squeeze a greater return out of inventory assets.

The W. R. Grace group of home centers is due next month to begin sending key executives to "training schools," in order to develop their expertise in, among other things, inventory leveraging.

"As a basic strategy, approximately 80% of our capital is in our inventory," said retail executive vice president Robert Anderson, "and that's where

(Continued on page 44)

Stambaugh-Thompson's data processing manager, Sam Kaiser, is developing the chain's inventory control system with the help of a high-capacity computer. NHCN photo

Economy, expansion sink Conklin

By Tom Moloney
Special to NHCN

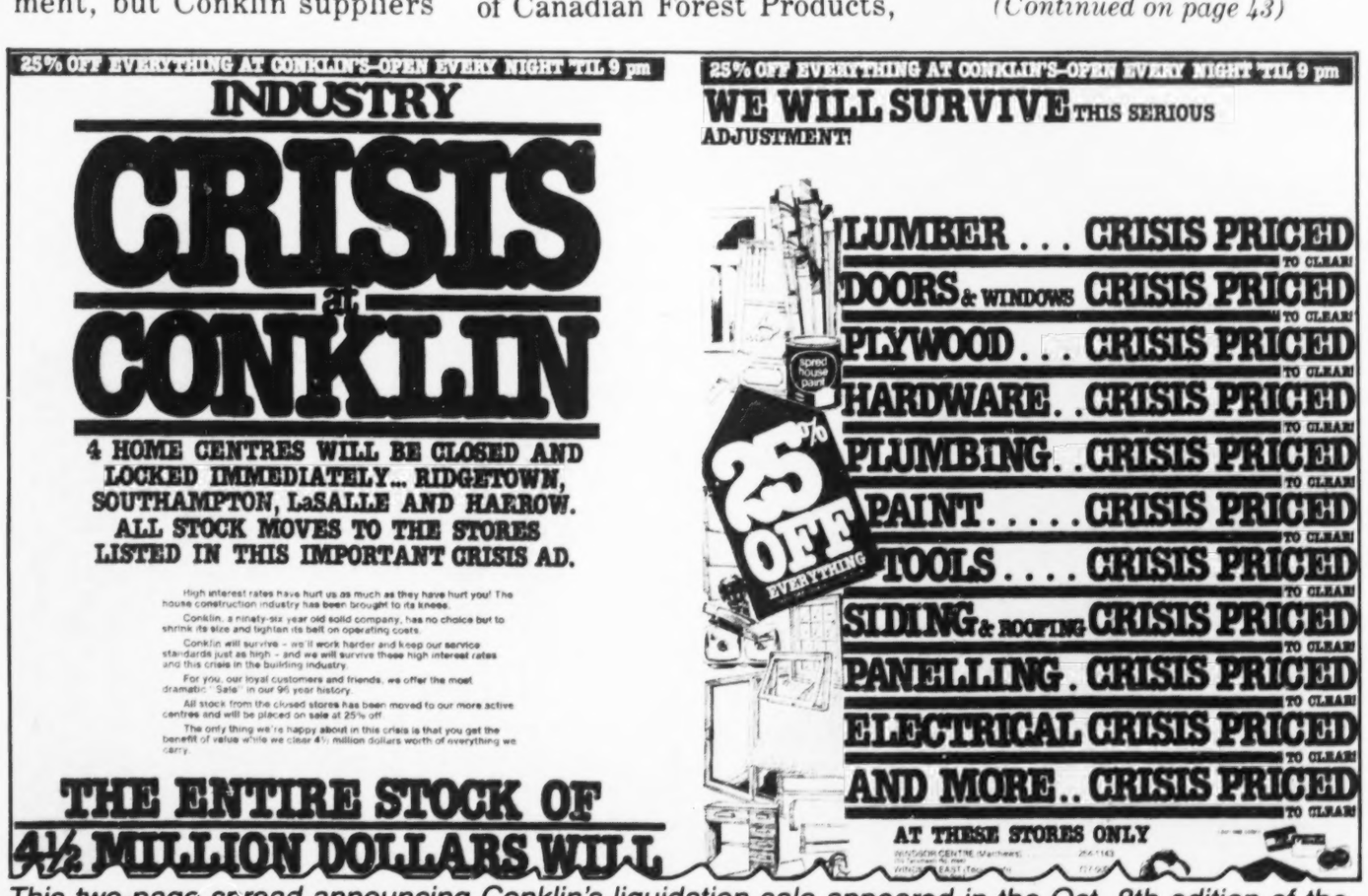
LONDON, Ontario—In a move that shocked many industry observers north of the border, Conklin Lumber, operator of 16 home centers in mid-1981, has gone into receivership and closed all but five of its stores.

Chain president Brian Davies was unavailable for comment, but Conklin suppliers and other Ontario industry observers attributed the company's plight to dismal economic conditions in its western Ontario market area and too rapid expansion.

"We had some indications that they were in trouble but the suddenness of the receivership action was a shock to most people," said David Parliament of Canadian Forest Products, speaking from the Vancouver-based firm's Toronto office. "They were extremely good customers and considered to be a growing company. They just chose the wrong time to expand. The company's expansion has been heavily financed for five years and that was a real killer," he said.

A spokesman for the Lumber

(Continued on page 43)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This two-page spread announcing Conklin's liquidation sale appeared in the Oct. 8th edition of the Kitchener-Waterloo Record. *Three-inch red letters underlined in black served to dramatize the event.*

NEWSBREAKS

ORIGINAL ERNST CLOSED. The first Ernst store, a downtown Seattle landmark for over 75 years, will be demolished by a wrecker's ball to make way for a high-rise. Company officials said the store closed Jan. 2, lowering the chain's unit total to 68. The adjoining Decatur Building will remain the corporate headquarters of parent Pay 'n Save.

LOWE'S DECEMBER SALES. Lowe's reported sales for December 1981 totaling $58.5 million, off 11% from $65.8 million in December 1980. Retail volume rose 11% to $34.7 million, while contractor business dropped 31% to $24.0 million. The retail/contractor mix was 59/41. Sales for the first 47 weeks of fiscal 1981 were up 3% to $839 million.

FTC ruling may endanger newspaper ad discounts

NATIONAL REPORT—Indications that the Federal Trade Commission may take action that would regulate newspaper advertising rates has raised concern among a number of home center and other major retailing chains across the country.

The retailers' fears stem from an FTC proposed consent order which Times Mirror reluctantly accepted last fall that restricts the discounts its flagship newspaper, the *Los Angeles Times*, may offer volume advertisers.

DIY dealers are worried that the FTC may be planning to pressure all newspapers into eliminating or reducing the discounts commonly given to large-volume advertisers.

The FTC order was filed in the Federal Register Oct. 1 and will not go into effect unless FTC commissioners formally adopt it. A decision was still pending at presstime.

Although the proposed order pertains only to the *Los Angeles Times*, an FTC lawyer in Washington, D.C., told *NHCN* "it's an open question whether the FTC's intent is to apply the principles of this case to other newspapers."

Critics of the FTC proposal assert the Federal agency is using the Times Mirror case as a test of its powers to regulate newspaper advertising.

The marketplace—not the

(Continued on page 43)

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Peavey closes 11 outlets in upper Midwest market

MINNEAPOLIS—Peavey is closing 11 of its 52 building supply stores in the upper Midwest by Feb. 1.

The affected locations are generally "marginal operations" in small markets, Peavey officials said.

While the company has been closing a few stores per year that did not meet its goal of boosting retail sales, the sluggish economy forced acceleration of that policy, officials said, as sales at contractor yards, particularly in agricultural markets, continued to decline.

Peavey's building supply sales were down 3% in fiscal 1981. Earnings were also off. Both sales and earnings continued to be down for the first quarter of the current fiscal year, which ended Oct. 31. The picture in 1980 was similar.

The decision to retrench coincided with the departure of Curtis Hedding, vice president of Peavey's building supply division, but was apparently unrelated. Hedding departed in November to start his own business. A successor is not expected to be named.

"It got to the point where a fair number of stores couldn't stand on their own two feet," said Jerome Trebil, Peavey vice president in charge of the company's retail group. "All we're doing is cleaning house a bit."

Since the 1970's, the grain merchandising company has tried to develop stronger retail sales in its building supply division. Last year, for example, it remodeled six stores.

The contractor portion of the business will not be abandoned entirely despite the mass closings, Terbil said, although plans for this year, while indefinite, call for opening more retail-oriented units.

"It's difficult to formulate an aggressive expansion program in this economy," said Trebil.

The 11 closed stores—five in

(Continued on page 43)

Peavey is closing 11 of its 52 building supply stores in rural, upper Midwest markets. Five units in North Dakota, four in Minnesota and two in South Dakota will be divested by Feb. 1.

Wickes seeks plan to ease debt

SAN DIEGO—Wickes Cos., predicting bleak results for the fiscal year ending Jan. 31, is seeking a formalized agreement with its short-term lenders that would set certain restrictions on the company while it works to reduce short-term debt.

A company spokesman called the proposed agreement a "prudent business decision" for Wickes, which has been operating at a loss since last year, and has experienced rapidly escalating short-term debt.

Wickes has been holding talks with its short-term lenders for the past few months. The company said it was uncertain whether the talks would result in a formal credit agreement, or what the consequences would be if an agreement was not reached.

Under the proposed agreement Wickes would:

- Not pay cash dividends on common stock;
- Limit short-term borrowings to present levels;
- Set restrictions on capital expenditures, investments and new indebtedness;
- Reduce short-term debt through a program of planned divestitures of some of Wickes' operations. Divestitures would also be used to generate some of the company's working capital needs.

The Wickes spokesman, Michael Sitrick, said the company was currently studying its various operations for possible divestiture.

Wickes reported it was holding talks with its short-term lenders in a third-quarter report filed with the Securities and Exchange Commission. In the report, the company said it expected results for the fourth quarter and fiscal year to be substantially below those of last year.

The report, which described the first month of the fourth quarter as "disappointing and below expectations," said that the company has also been hard hit by substantial interest charges.

For the nine months ended Oct. 31, Wickes' interest expense totaled $154 million, a $44 million increase over the

(Continued on page 44)

Construction rate falls 10% from Oct. to Nov.

NEW YORK—Still caught in its year-long tailspin, the housing industry plummeted again in November, as the value of residential construction contracts fell 10% to $3.7 billion.

Over the first 11 months of 1981, the cumulative value of residential construction dropped 3%, when compared to the same period in 1980, to $56.4 billion, according to data from F. W. Dodge, a division of McGraw-Hill's Information Systems.

The residential building decline reflects the chronic condition the entire construction industry was in last year. The annualized value of construction contracting fell 31% to $129 billion, compared with $187 billion a year ago. The cumulative value for 11 months was $136.9 billion, less than 1% above 1980 total for the same period.

"This year has been downhill all the way for the construction industry," said George Christie, Dodge's vice president and chief economist. "An early lead over 1980 was steadily eroded by high interest rates and budget cuts."

Christie indicated that housing also seemed to be lagging behind the slow but evident improvement in the overall economy, especially the slight drop in lending rates manifested over the past few months.

Handy City's new format emphasizes lumber, paint

NASHVILLE—Handy City is basing its stores' new look on its 36,000-sq.-ft. Rivergate unit here.

Company officials plan to have the new format, featuring lumber, paint and hard lines near the entrance, completed at each of its units during 1982. Handy City has already remerchandised about half of its stores.

Each store is getting its fixtures relaid, an interior painting, new graphics and specialty fixtures in a package that ranges from $20,000 to better than $100,000 per store, officials said.

It takes about a month to redo each outlet, but Handy City has been using more than one crew of workers to revamp the units.

No store is closed during the work.

"You remodel during store hours," a chain official related. "It doesn't hurt business when you're remodeling. It helps business."

With lumber, building materials and hard lines as the principal focus of the stores, chain officials feel its identity is now clear in the remodeled stores.

"We stopped expanding at Handy City in 1980 and 1981 except for one store that was supposed to open in 1979," said Grace's home center division president Frank Denny. "Once we feel we have things on an even keel, then we'll tackle new store expansion. That probably won't happen until 1983."

South shines

Starts up 1% from October low

WASHINGTON—If there was a bright spot in November's housing figures, it was the Sunbelt. New home starts, on a seasonally adjusted annual basis, were up 31% over October in the South.

That increase helped push the rate of total housing starts during November up 0.8% from October, the first monthly increase since July.

Nevertheless, November's annual rate of 871,000 starts was the third worst since the Commerce Department started keeping housing start records in 1959. October was the second worst month, with an 857,000-unit rate, rivaling the record low of 844,000 units set in October 1966.

Building starts are not expected to rise above an annual rate of 900,000 for at least a couple of months, according to Michael Sumichrast, executive vice president and chief economist of the National Assn. of Home Builders.

He noted, however, that the housing recession showed signs of bottoming out, despite the fact that the rate of permits issued for new home starts was down 1% in November, to 718,000 units, and 47% below the year-ago rate.

The rate of single-family home starts showed a 10% increase from October, to 560,000 units in November. The rate, however, was 45% below that posted in November 1980.

Permits for new single-family units remained relatively unchanged from October on a seasonally adjusted basis, although the 396,000-unit rate was half that of the previous November.

Starts in regions other than the South declined in November compared with the previous month. The North Central States recorded the least drop in overall starts, off 18% compared with October. That area, however, was down 60% from November 1980.

INSIDE

PEAVEY CLOSES 11 upper Midwest stores, p. 2. . . . **AMERICAN EXPRESS** woos home center retailers, p. 3. . . . **THE DO-IT-YOURSELF** market will come of age in 1982, predicts new executive editor Wyatt Kash, p. 11. . . . **LUMBER DEPARTMENTS** are being expanded at several major chains. A photo-report, pp. 23-29. . . . **COPYRIGHT CHANGES** cause static for stores that provide radio broadcasts for shoppers, p. 35. . . . **THE LEZZER BROTHERS** win their battle for paneling sales in a competitive Pennsylvania market, p. 40.

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November housing activity

Data for actual new home starts and permits;
(Bold numbers in parentheses are seasonally adjusted annual rates)

	STARTS			PERMITS		
	November Starts in 1,000's	% Change from October	% Change from November '80	November Permits in 1,000's	% Change from October	% Change from November '80
Northeast	6.8 (79)	−38.0(−23.0)	−29.0(−28.0)	6.1 (76)	−41.0 (−29.0)	−37.0(−40.0)
North Central	10.0 (127)	−45.0(−18.0)	−59.0(−60.0)	7.8 (97)	−29.0 (− 7.0)	−55.0(−57.0)
South	36.2 (496)	− 1.0(+31.0)	−33.0(−35.0)	27.3 (372)	− 8.0 (+12.0)	−39.0(−42.0)
West	11.8 (169)	−43.0(−26.0)	−52.0(−54.0)	12.6 (173)	−13.0 (− 3.0)	−51.0(−53.0)
Total Housing	64.8 (871)	−25.0(+ 1.0)	−43.0(−44.0)	53.8 (718)	−19.0 (− 1.0)	−44.0(−47.0)
Single Family	39.7 (560)	−20.0(+10.0)	−44.0(−45.0)	28.0 (396)	−20.0 (− 1.0)	−49.0(−51.0)

Source: Department of Commerce; NHCN chart.

Sustained building activity in the South helped offset declines in the rate of new home starts elsewhere in the country. The 560,000-unit rate for single-family starts in November was up 10% from October.

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices.
Vol. 8, No. 2. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved.
Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 2 January 18, 1982

National sales mgr. named by NHCN; 3 editors upped

Hybert

Puchalski

NEW YORK—Arthur Anderman, publication director of *National Home Center News*, has named a new national sales manager and announced the promotion of three editors.

Sidney Hybert, formerly Midwest sales manager, and a sales representative with *NHCN* since its founding in 1975, has been appointed national sales manager. Hybert, 48, has been with Lebhar-Friedman since 1964 and will now be based in New York.

On the editorial side, Greg Puchalski was promoted to senior editor/special projects; Kenneth Schept to senior editor/merchandising; and Alison Wachtler to research editor.

Greg Puchalski, 30, has reported on the home center industry for five years at *NHCN* following three years work as a daily newspaper reporter for *The Greenwich Time* in Connecticut. His new responsibilities include directing special *NHCN* industry reports and research. A journalism graduate of Fordham University, Puchalski is currently working for his M.B.A.

Schept

Wachtler

Ken Schept, who joined *NHCN* in May of 1981 after working for the *National Law Journal*, will expand *NHCN*'s coverage of lumber and building materials in the DIY market. A graduate of American University, with a masters degree from Columbia University, Schept, 35, will also develop *NHCN*'s coverage of the housing and home repair and remodeling market.

Alison Wachtler, 23, an editorial assistant since June, will take over *NHCN*'s personnel coverage and price surveys. Wachtler is a graduate of Skidmore College and wrote for the *Progressive Media Journal* prior to joining *NHCN* in February 1981.

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C.P.S.C. extends deadline on ban

WASHINGTON—The Consumer Product Safety Commission (C.P.S.C.) has extended until Feb. 15 its deadline for deciding whether to ban urea-formaldehyde foam insulation.

The agency has been studying the harmful effects of the formaldehyde gas which is released from the insulation after it is installed in walls.

Two main reasons were given for the extension: the agency's need to analyze a large volume of comments from the public and its desire to have the results of on-going research.

C.P.S.C. has invited additional public comment on the revised estimate of the health risk and on the economic impact of a ban.

Plastic demand to double by '95

CLEVELAND—Demand for plastic pipe will double by 1995, accounting for more than 50% of the United States pipe market, up from its current 36% market share.

Predicasts Research Group said demand for all types of pipe will increase to 8.5 billion ft. by 1995, a 3.2% annual rate of growth from last year's total of 5.3 billion ft.

Plastic pipe demand is expected to grow at a rate of 5.5%, to 4.3 billion ft. by 1995, compared to 1.9 billion ft. in 1980.

The expected increase in demand for plastic piping, the study noted, is based on plastic's ability to resist corrosion better than some other materials, and its ease of installation.

Altogether, shipments of plastic pipe and fittings are expected to rise to over $13 billion in 1995, from $1.8 billion in 1980, in part because of anticipated surges in the prices of various resins, the study said.

Polyvinylchloride, or PVC, will account for over 60% of the resins used in plastic piping by 1995, the study noted.

Polybutylene, which is suitable for a wide range of industrial uses because of its flexibility and resistance to heat distortion, will show the fastest growth among competing resins.

U.S. plastic pipe demand

	1980	1995	% annual growth
Total pipe demand (million ft.)	5,322	8,500	3.2
% plastic	36.3	50.8	
Total plastic pipe (million ft.)	1,922	4,321	5.5
Plastic pipe by resin (million lb.)	2,827	7,015	6.2
PVC	1,943	4,645	6.0
CPVC	7	60	15.4
Polybutylene	2	120	31.4
Polyethylene	573	1,060	4.2
ABS	111	215	4.5
Rinforced thermoset	167	780	10.8
Other	24	135	12.2

Source: Predicasts Research Group, Cleveland

American Express makes pitch

(Continued from page 3)

Express described it as "highly successful," implying many people were using American Express cards at the chains.

Larry Nichols, vice president, promotional items for the six Brookhart Building Centers, Colorado Springs, said that his chain is experimenting with the American Express card on an "open ended" basis.

"It gives us a little more flexibility," said Nichols who said that measuring would be done early this year to determine if the experiment would continue.

"One negative factor is the long turnaround time. Bank cards are like money but American Express receipts must be sent to an operations center for payment which takes 14 days," Nichols said.

Phil Deutch, president of Harry's Hardware, a five-unit home center chain in New Orleans, said that his company has been accepting American Express cards for 1½ years.

'Some potential'

"We haven't had many customers using the card," he said. "We just added it as a convenience for the minority of our customers who might have the card. It probably has some potential for payment on big ticket items."

Deutch complained about the 4½% interest charged retailers and the two-week turnaround time. "That waiting period is a real hassle for the retailer," he said.

Centennial Home Centers president Ray Noden was one home center executive pleased with his American Express card experience.

"We were one of the first home centers in the area to accept the card, in response to a demand from a great many of our customers," Noden said.

"It's been a very successful arrangement, not as successful as our MasterCard or Visa arrangements but a good one nevertheless."

In 1980 the two-store Glen Riddle, Pa.-based chain did $24,000 in American Express transactions, which improved to $30,000 during 1981. Total MasterCard/Visa transactions accounted for a $300,000 sales volume last year.

Like many retailers, Noden complained of the 4½% interest fee charged by American Express. However, an agreement with a local bank has reduced the turnover period from 14 to three days.

American Express charges interest according to an escalating scale from 3½% up to 4½%, related to turnover period and volume of business. Those participants opting for a 30-day turnover are charged a 4% rate. Most middle-volume retailers choose the 14-day turnover, with a corresponding 4½% rate.

Shelley Wollinsky, American Express card division vice president retail marketing, remains convinced there is a "real demand" from "upscale" American Express card holders for the card to be honored at home centers.

"Today's affluent consumer shops at a variety of outlets in order to satisfy his leisure time needs," Wollinsky said. "Home centers are an important supplier of leisure time products and our card holders want access to such outlets."

Although American Express might be feeling some pressure from its card holders to add home centers to its family of retailers, home center executives surveyed generally found little demand for adding American Express.

Wegman taps Chase head

(Continued from page 3)

Webber, an employee for five years, has become the new automotives/tool/hardware buyer, at the age of 22. The controller position has been filled by Jeff Gillette, Chase-Pitkin's accounting manager for the past two years and previously a Wegman's employee.

Vetere would not comment on any new direction the chain might take, but Yehl noted that, as general manager, he would pursue the same merchandising strategies set forth by Tobin, whom he called a "merchandising genius."

No comment

Robert Wegman, chairman of Wegman's, would not comment on the shift in Chase-Pitkin's executive ranks. It it believed, however, that Vetere was considered by the corporation to be more capable in directing the company through the 1980's than Tobin. The fact that Tobin is Wegman's son-in-law apparently had no impact on the decision.

Tobin received much credit for the company's past success, but he was faulted for his occasional impulsiveness and, at times, his adversary working relationships with buyers and managers, according to current and past employees.

While industry observers raise the question of whether Tobin's departure has set the stage for Wegman's to sell the chain, Yehl insisted there were no such plans, although he conceded that rumors that Chase-Pitkin might be sold to W. R. Grace have been circulating around the company for over a year.

"Bob Wegman himself squelched those rumors," Yehl explained. "And we are continually looking to expand the company, which isn't something a chain that is on the block is wont to do."

He added that the company plans to add a store next year by moving into one of the largest shopping malls in upstate New York, currently being built in Henrietta, N.Y.

The myriad personnel changes made at Chase-Pitkin may mean that Wegman's will be keeping a tighter rein on company operations, but most observers feel actual alterations in the chain's personality will be minimal.

One former buyer put it best when he said "Chase-Pitkin's reputation as a home center chain will more than make up for any short-term merchandising or personnel deficiencies."

Hechinger's 3rd-qtr. net gains 29%

LANDOVER, Md.—Comparable store sales at Hechinger units increased 12% during the company's third quarter ended Oct. 31, company officials said. The figure compares with a 14% gain in comparable store sales for the first nine months of Hechinger's fiscal year.

Overall, the 31-store chain reported that net earnings in the third quarter increased 29% to $2,180,973 on a sales increase of 26% to $54,419,635 as compared to the third quarter a year ago.

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FINANCIAL NEWS

Goldsmith revises offer to merge with Diamond

NEW YORK—Sir James Goldsmith, chairman and chief executive officer of Generale Occidentale, S.A., is working aggressively to secure a merger between his holdings and Diamond International, which operates 120 home centers.

Following an announcement that he and Diamond chairman and ceo William J. Koslo had begun discussions about a Goldsmith-affiliated company acquiring all of Diamond's outstanding stock (*NHCN*, Dec. 7, 1981), the British financier presented a merger proposal but, apparently feeling it was inadequate, then offered a revised merger format.

Goldsmith's latest suggestion would yield $44.50 in cash to Diamond stockholders for each share they surrender.

The original offer provided for $21 in cash and debentures valued at another $21 for each Diamond share.

Diamond officials said their directors, who are not Generale Occidentale designees, and analysts at Bear Stearns & Co., New York, will review the proposal. Finally, 85% of Diamond's stockholders must approve the merger.

Cavenham Holdings, a unit of Generale Occidentale controlled by Goldsmith, owns about 40% of Diamond's 13.7 million shares already.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Dart Drug	10/31-3rd qtr.	$ 66,743	$ 62,558	7	$ 510	$ 109	368
The Home Depot	11/1-3rd qtr.	13,715	5,647	143	– 145	220	—
Lowe's	11/28-4 wks.	62,700	71,500	– 12	—	—	—
Pay 'N Pak	11/30-3rd qtr.	51,699	41,255	25	2,079	1,783	17
Peavey	10/31-1st qtr.	195,755	208,971	– 6	4,387	6,979	– 37

*$ in thousands

Home Depot net dips in 3rd qtr.

ATLANTA—Nonrecurring expenses of $603,162 connected with the opening of four stores in the Miami-Fort Lauderdale area contributed to a $144,611 net loss for The Home Depot in its third quarter ended Nov. 1, according to chairman and ceo Bernard Marcus.

The financial results were the first quarterly figures issued by the eight-unit chain since it went public last September.

The Home Depot's sales, covering its four units in Atlanta and two of the Florida stores opened during the quarter, totaled $13,715,018.

Preopening store expenses for the first three quarters of the fiscal year totaled $774,721.

Marcus reported, however, that net earnings for the company in the first three quarters were $807,128, including a $234,265 reduction in income taxes from the carryover of the previous year's operating losses. The Home Depot's sales for the period were $32,333,195.

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STOCK PRICES

Companies with predominant home center sales

	As of 12/9	As of 12/16
Lowe's (NYSE)	12⅛	12⅛
Payless Cashways (NYSE)	17¼	18⅛
Scotty's (NYSE)	18½	18⅛

Over-the-counter stocks

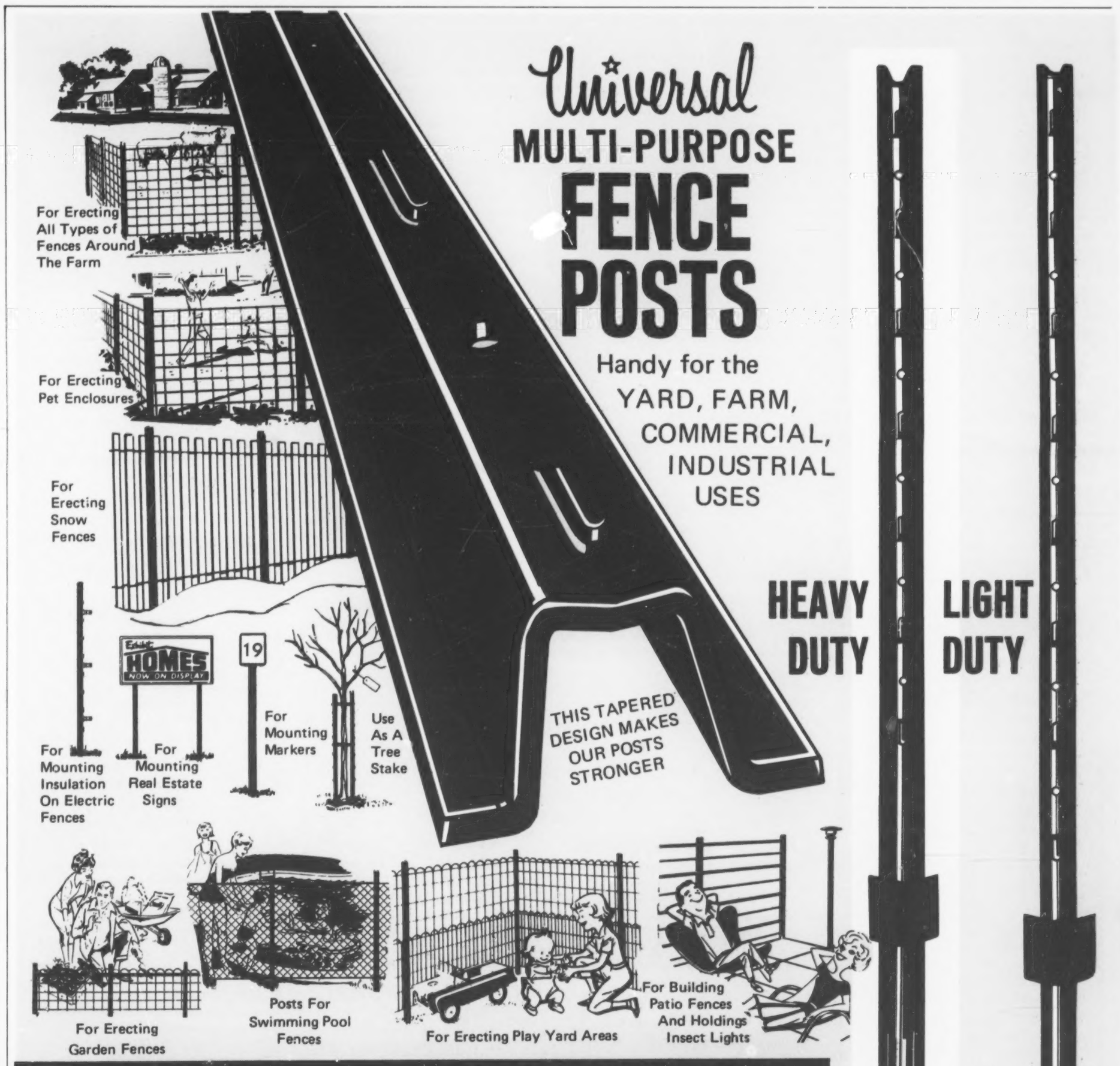
	As of 12/16 Bid	Asked
Erb Lumber	9¾	11¼
Hechinger	17¼	17½
The Home Depot	17¾	18¼
Pay 'N Pak	14½	14⅞
Wolohan Lumber	3¼	3⅝

Companies with significant home center sales

	As of 12/9	As of 12/16
Action Industries (AMEX) [Action Home Centers]	2⅝	2⅝
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	10	10⅜
Boise Cascade (NYSE)	35⅞	34⅜
Cyclops (NYSE) [Busy Beaver]	27¾	27¼
Diamond Int'l (NYSE)	36	37
Edison Brothers (NYSE) [Handyman, Homer's]	25	25¼
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	19⅜	18¾
Forest City (AMEX)	13⅜	13¼
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	44¾	44¾
Interco (NYSE) [Central Hardware]	49⅞	48½
Peavey (NYSE) [Fish, Peavey/Thunderbird]	20½	20
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	16½	16⅝
Supermarkets General (NYSE) [Rickel]	19⅝	20⅛
Union Camp (NYSE) [Homecrafters]	49¼	50½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	9½	9

Over-the-counter stocks

	As of 12/16 Bid	Asked
Dart Drug	11¼	11⅝
Hines Lumber	16	17



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National Home Center News®

Vol. 8, No. 3 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • February 1, 1982
$7 per year $2 per copy

Brisk repair biz pulls dealers out of the cold

NATIONAL REPORT—The extraordinary weather that brought record-breaking cold to the North and blanketed the Sunbelt in ice and snow had a chilling effect on January home center sales, although certain items moved briskly as customers faced emergency repairs or last-minute winterizing.

Retail business was off 50%-60% in Buffalo, where Valu Home Center closed half of its stores after a 25-in. snow fall. In Atlanta, where icy conditions virtually closed the city, retail sales at Lowe's were off by about the same percentage, while contractor business came to a halt.

With a wind-chill factor of −81° in Chicago, Gee Lumber, with 11 stores in that market, experienced higher traffic than normal, but sales at or below last year's level, as customers selected quick-repair goods.

Even Florida retailers felt the winter's bite.

"The sheer discomfort of the cold was restricting those who were shopping," said Ray Cooney, president of Scotty's, Winter Haven, Fla. "Over the longer range, the citrus crop is hurt and it'll cut into sales of those goods, reducing the cash flow here and putting another barb in the side of the economy."

The storm clouds were not without a silver lining, however, as certain sales were stimulated by the unusual weather. While average tickets were down at Courtesy Home Centers' four Chicago stores, "We were selling things for the first time in years, including snow blowers and kerosene heaters," noted Zangwill Murlies, Courtesy vice president.

Snowblower sales were described as decent at 31-store Busy Beaver, Pittsburgh, but not strong enough to completely clear out the leftover inventory from last year, said Tom Herward, marketing vice president. Although the storm struck in the middle of a major Busy Beaver promotion, fears of empty stores proved unfounded.

"Sales are actually ahead of last year despite the weather," Herward said.

At Chicago's Gee Lumber

(Continued on page 50)

NEWSBREAKS

LIKE FATHER, LIKE SON. Jim Cohen, vice president of 30-unit, $180 million Central Hardware, St. Louis, will assume the position of president on March 1. The post was vacated when his father, Stanley, who has been with Central for over 40 years, and has been president since 1957, was named chairman of the board.

NEW AFFILIATION. Dana Allen, vice president of Affiliated Home Centers, Kansas City, Mo., has joined with the firm's controller Elmer Rump Jr. to form Affiliated Building Centers. The new company has purchased interests and formed partnerships with store managers at four existing Affiliated Home Centers and plans to be "a growth company," said Allen. Allen and Rump will also continue to work for Affiliated Home Centers.

Northern California, plagued by massive damage from floods and mud slides, is relying on Federal aid to help finance repairs and reconstruction. Wide World photo

Sales surge expected as Californians dig out

SAN FRANCISCO—Bill Gilbert paused a moment before answering the question: "It's a tough way to have an increase in business, but yeah, sales should be pretty good from now on."

Gilbert, co-owner of Scarborough Lumber and Building Supply was referring to the almost inevitable upsurge in business many area home center operators are expecting as the result of a torrential rain storm that devastated areas of northern California early last month.

The deluge was one of several violent storms which swept in the new year around the country.

Scarborough is a three-unit home center chain headquartered about 70 miles south of here in Santa Cruz. The area was one of the hardest hit by the two-day storm that dropped up to 16 in. of rain on a 150-mile stretch of coastline around San Francisco.

The resulting floods and mudslides made the storm one of the worst and most tragic ever for the San Francisco Bay Area. President Reagan declared five counties major disaster areas, enabling them to receive Federal aid.

While the loss of life and property was still being calculated at presstime, preliminary reports estimated damage at $250 million, with 36 persons dead and several still missing.

(Continued on page 50)

Young employee response lags

Crunch ahead for pension plans

By John Caulfield
NHCN field editor

NATIONAL REPORT—Home center executives, faced with mounting costs to support company pension plans, are concerned about the growing disinclination among young employees to contribute toward long-range benefit programs.

This concern is focused on the rapidly swelling expense of meeting benefit obligations to retired workers, an expense which is growing faster than the rate of contributions from younger workers.

Even the new tax benefits from Individual Retirement Accounts are attracting little attention from home center employees, according to retailers, and there seems to be scant encouragement for management to set up IRA payroll deduction plans.

The question of how companies should help young employees prepare for their future is becoming increasingly difficult to answer.

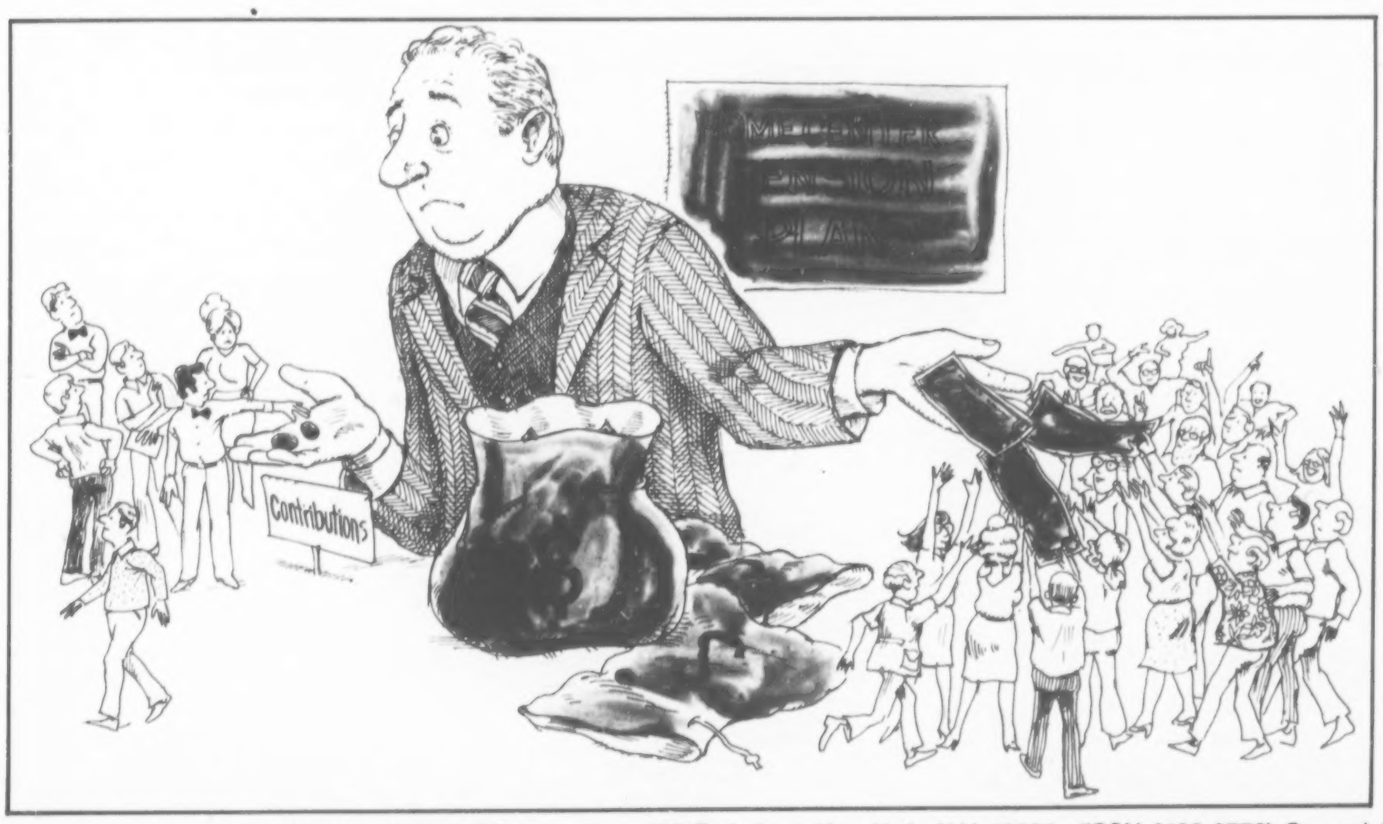
"Who knows where Social Security will be in 10 years," said Wendall Smith, director of personnel for Neiman-Reed, the 13-unit, $54 million Sherman Oaks, Calif., chain. "But it's awfully hard to convince young people they need to protect themselves for the future."

Several other home center chains have also pointed to this mood as the main reason why any plans to establish an employee IRA program have been put on hold.

The viability of company-supported pension funds, however, has also recently come into play, as these plans become more expensive and difficult to control.

In 1980, the 34 retail companies among the Fortune 500 reported that pension costs as a percentage of pretax profits rose from 13.5% in 1979 to 16.4%, according to a study conducted by the New York-based

(Continued on pdge 48)



NAHB blasts Reagan policy as Federal deficit mounts

BOSTON—The National Assn. of Home Builders, a long-time supporter of the Administration, has stepped up its criticism of Reagan housing policy and increased its political action war chest to $2.3 million, compared with $38,000 just four years ago.

NAHB dissatisfaction is focused on the size of the Federal deficit, which siphons money from the mortgage market. For every $10 billion in deficit, $2.5 billion in mortgage money is sacrificed, according to outgoing NAHB president Herman Smith.

Within the next two months Presidential economic advisers must either change their thinking on economic policy or convince the economic community that they are right, if recovery is to occur, Smith told members of the Northeastern Retail Lumbermens Assn., meeting here last month. He was not optimistic.

"Although we have a lot of friends in the Administration, we have more that care less about housing than I have seen in a long time," Smith said.

For more on the NRLA show, see page 4.

Housing productivity has lead the nation out of six recessions since World War II, according to Smith. But with one expert expecting starts to fall

(Continued on page 4)

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

U.S. timber producers say Canadians have price edge

WASHINGTON—The International Trade Commission is investigating the pricing of United States and Canadian timber.

The inquiry was prompted by a feeling among some Western United States producers that their Canadian counterparts enjoy an unfair competitive advantage.

While United States consumption of Canadian softwood has grown steadily, from 23% in 1972 to 30% currently, pricing differences were not an issue until recently when demand dropped significantly.

At issue is the ability of the Canadian government to adjust stumpage prices up or down to accommodate swings in market price levels. With 94% of Canada's commercial timberlands under government control, compared to 61% in the Western United States, the major complaint is focusing on whether Canada is subsidizing its timber industry.

Among the factors the International Trade Commission will explore are taxes, transportation rates, stumpage costs and appraisal methods, fixed and variable costs and policies and regulations.

Part of the problem facing the commission is the lack of comparability between certain United States and Canadian practices. Stumpage, for example, is measured in thousand board feet in the United States and in cubic meters in Canada.

While appraisal methods are similar, United States firms generally bid up from the appraised price, while Canadian companies do not, said Jeff Wood, commodity analyst for the commission.

"The most intricate differences are between the taxing structure of the United States Northwest and British Columbia," said Russ Fredsall, director of resources for the Western Wood Products Assn., Portland, Ore. "Return on investment is the only way to reduce it to a comparable basis."

The basic difference between Canada and the United States lumber policy, according to Fredsall, is one of attitude.

"There's no question that the provincial government wants to keep people working and makes concessions accordingly," he said. "Their government policies favor a strong timber economy whereas down here the Government is basically an adversary."

It is unlikely that the commission will assert explicitly whether or not Canada enjoys an unfair competitive advantage.

"The report itself carries no regulatory force," said commission project leader Bill Hoffmeier.

It will be up to the Senate Finance Committee and the Subcommittee on Trade of the House Ways and Means Committee, which authorized the study last December, to evaluate the findings and perhaps develop legislation. The commission, which is part of the U.S. Department of Commerce, has until early April to make its report.

"If we ever were to introduce legislation it could take the form of some kind of tariff," said a spokesman for Sen. Robert Packwood (R-Ore.), chairman of the Senate Subcommittee on Taxation of the Finance Committee. "But that's months away."

The International Trade Commission of the Department of Commerce is investigating allegations that Canadian lumber producers enjoy an unfair competitive advantage in United States markets.

Supplier files suit

Davidson axes contractor sales

MIAMI—Davidson Lumber is attempting to regain its balance following a year-end one-two punch: the shutdown of its estimated $4.8 million contractor sales division and a $217,000 law suit filed by one of its major hardware suppliers.

Roland Regato, vice president for merchandising and retailing for the seven-unit chain said the reasons for the shutdown of contractor sales were "very obvious."

"As the construction industry has fallen off, so has our business. We decided to stop the shrinkage of profits in order to remain solvent," Regato said. Contractor sales accounted for approximately 30% of the chain's 1981 business.

The shutdown meant laying off 100 employees and closing yards in West Palm Beach and Dania, Fla., as well as part of a yard in West Dade. More than 200 workers have been laid off since mid-1981, although Regato said a "few" of the contract division employees are being transferred to retail.

Regato described the shutdown as "temporary" at this time, but noted it could become permanent if the housing slump continues. "We can concentrate our resources in only so many places," he said.

One place the Miami-based operation is trying to concentrate its resources now, however, is in fending off its creditors.

On New Year's Eve, company president Stanley Davidson was served with a $217,000 suit for nonpayment of merchandise on behalf of Alchar Hardware, one of Davidson's suppliers.

The replevin action seeks to reclaim the merchandise Alchar contends it still owns, in lieu of payment, according to Louis Phillips, a Miami-based attorney for Davidson.

Alchar president Alan Weiner told *NHCN* that Davidson promised to set up a payment plan before the end of 1981, after failing to honor payment to Alchar for $217,000 worth of goods. When that plan failed to materialize, Weiner said, there was no choice but to take legal action.

(Continued on page 48)

Free delivery policy puts Dave's sales in high gear

BALDWIN, N.Y.—Free delivery may be going the way of the eight-cylinder automobile for most home center and lumberyard operators, but since Dave Golbert instituted a 24-hour, free delivery policy three years ago, sales for independent Dave's Lumber have virtually tripled.

The idea began when Golbert, president of Dave's Lumber, decided to expand the market coverage of his lumberyard beyond the boundaries of Nassau and Suffolk Counties on Long Island.

The problem he faced, he said, was the existence of several strong yards between his outlet and New York City, 40 miles west, which were also pursuing small contractor, industrial and DIY customers.

To distinguish his outlet from his competitors, Golbert instituted a free-delivery policy with no minimum purchase requirement that guaranteed delivery within 24 hours.

Beginning modestly with two trucks, the service has grown to six trucks, each shipping seven loads a day, six days a week. Golbert attributed his store's tripling its sales from $1 million in 1978 to $3 million this

(Continued on page 51)

Home Depot expanding 4 Atlanta units by 25%

ATLANTA—The Home Depot is expanding its four stores here by 25% to a maximum of 75,000 sq. ft., with the first revamped store expected to be ready by March 1.

New categories will be added and most of those already carried will be expanded, according to Arthur Blank, the chain's president. Alterations to the remaining three units will be phased in over an unspecified period of time.

The chain's four Florida stores will not be changed now, although some ideas from those operations may be adopted in Atlanta.

"The entire store is being relaid out, changing the flow of traffic to a certain extent," said Blank. "We've done very well in the Atlanta market since we opened. The expanded format means being more, bigger and better."

The added floor space was made possible when J. C. Penney closed its Treasure Island discount operations. The Home Depot has been leasing some of that space.

One category, automotive, will be dropped completely. Atlanta Home Depot stores have been advertising a 40% clearance on those items since early last month. They were never sold in the Florida outlets.

Automotive departments were limited to oil and accessories. The approximately 600 sku's, out of 25,000 storewide, took up only two sides of a 28-ft. fixture.

"It was not a meaningful business for us," Blank said. "Our philosophy has been to take a dominant position. If we choose not to do that, we'd rather not be in the category."

He would not comment on what specific categories will be added to the enlarged units.

The Home Depot, which opened its first two stores in Atlanta in mid-1979, is expected to record total sales in excess of $40 million this year, at its eight locations.

Import interest marks W. German fair

COLOGNE, West Germany—The growing penetration of foreign-made tools and hardware in the United States market is drawing considerable attention to this year's International Hardware Fair, which opens here Feb. 13.

Imported power tools now make up 17% of the $2 billion consumer power tool market in the United States and several foreign producers are seeking to join the competitive battle in this lucrative arena. (*NHCN*, Dec. 7, 1981.)

Over 600 manufacturers from more than 20 countries will be displaying tools at the Fair as part of the over 1,300 exhibitors reportedly due at this annual event. Trade officials estimate that attendance figures will exceed the 38,000 visitors from 68 nations who attended the 1981 Fair.

A total of 41 companies from the United States will be presenting hand and power tools, locks, small hardware, insulation, building materials and other DIY fare. Twenty-one of these firms will be taking part in a joint venture organized by the German-American Chamber of Commerce in New York.

Interest in the DIY market worldwide is also expected to run high at the Fair, which will feature two major seminars on the subject.

On Feb. 14, the DIY Conference of the Federal German Building and Works Assn. will conduct a panel discussion on the opportunities and risks of entering the DIY market.

The Worldwide DIY Council will also conduct an expert seminar the next day, with topics to include safety regulations on imported tools and an investigation into the availability of new DIY products worldwide.

While electric tools that would be labeled industrial in the United States still comprise the bulk of what is manufactured in Europe, German industry sources spotted a trend among "handymen" toward more powerful equipment.

(Continued on page 4)

INSIDE

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 3. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 3 February 1, 1982

FINANCIAL NEWS

Dec. sales drop 11% at Lowe's

NORTH WILKESBORO, N.C.—Despite rising retail volume, Lowe's sales dropped 12% in November to $62.7 million and were down 11% in December to $58.5 million compared to figures for November and December 1980.

These results followed an 8% sales decline in the third quarter ended Oct. 31 to $227,910,000. Net earnings for the third quarter fell 30% to $4,859,000 compared to the same period last year. Officials attributed the decline to increased expenses combined with lower sales although there was continued improvement in margins, especially in the retail sector.

Retail sales, up by 10% in the third quarter, rose 5% in November to $35.4 million and increased 11% in December to $34.5 million.

In contrast, builder volume followed a 23% decline in the third quarter with drops of 28% in November to $27.4 million and 31% in December to $24 million.

The slackening builder trade combined with improved retail sales caused a shift in the 224-store chain's consumer/contractor mix. Retail volume claimed 55% of total sales in the third quarter, 56% in November and 59% in December.

READ CLASSIFIED ADS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Forest City	10/31-3rd qtr.	$ 77,693	$ 80,726	– 4	$ 3,765	$ 2,596	45
Interco	11/30-3rd qtr.	716,995	606,949	18	31,216	33,006	– 5
Lowe's	12/26-4 wks.	58,500	65,800	–11	—	—	—

*$ in thousands

Rickel posts 10% increase in third-quarter volume

WOODBRIDGE, N.J.—Rickel Home Centers posted a 10% increase in sales to $47,232,000 in its third quarter ended Oct. 31 as compared to the same quarter in 1980, according to a report from its parent, Supermarkets General.

The increase brought revenues for the first nine months of the 31-store chain's fiscal year to $143,367,000, 16% ahead of figures for the same period a year ago.

Supermarkets General officials said Rickel showed a substantial third-quarter earnings gain despite slow housing starts, high interest rates and a recessionary economy. Actual earnings for Rickel were not reported.

STOCK PRICES

Companies with predominant home center sales

	As of 12/30	As of 1/6
Lowe's (NYSE)	13	12½
Payless Cashways (NYSE) [Furrow]	16½	16
Scotty's (NYSE)	18¾	18¾

Over-the-counter stocks

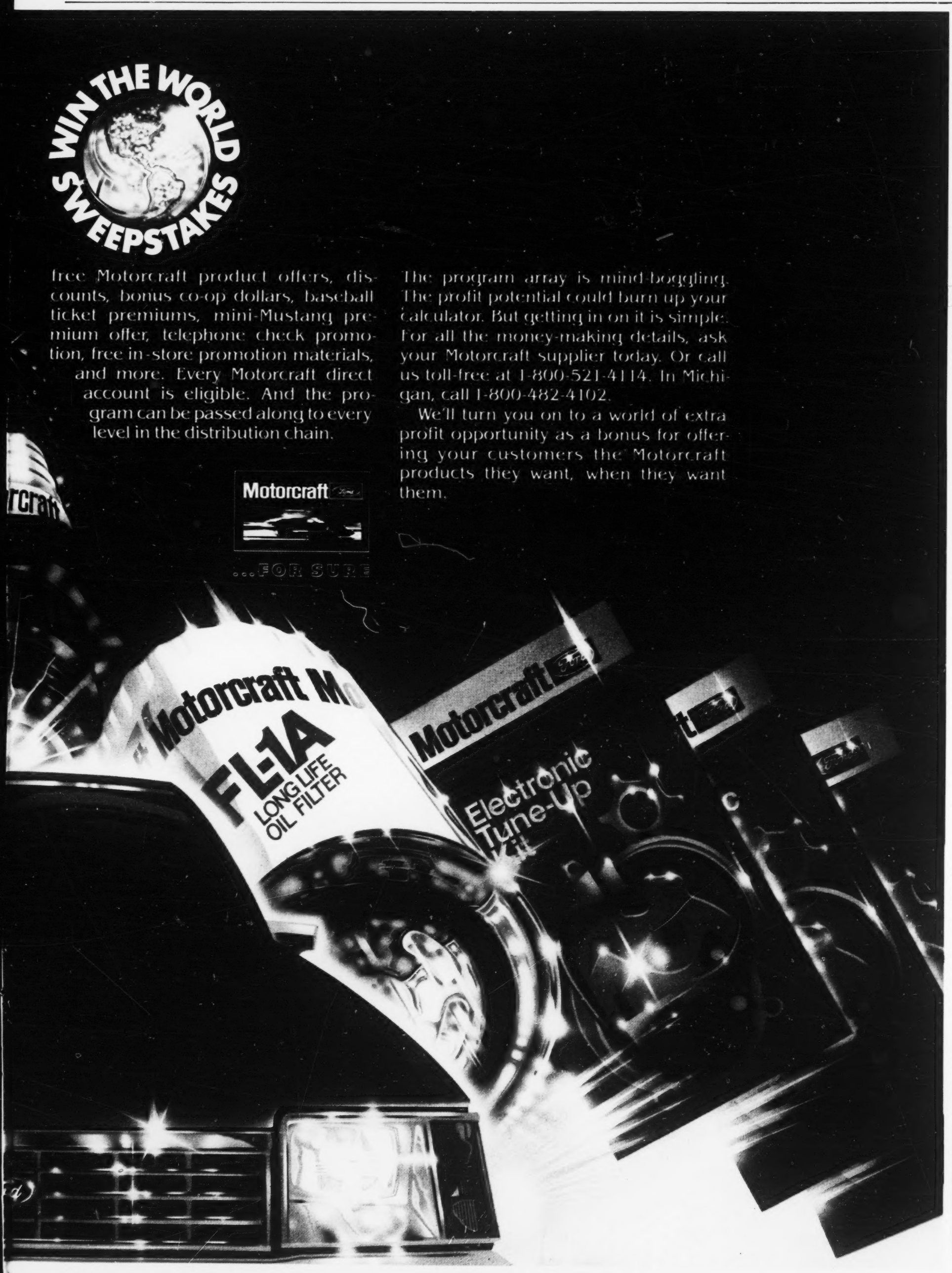
	As of 1/6 Bid	Asked
Erb Lumber	10	12
Hechinger	17¼	17⅝
The Home Depot	18½	19
Pay 'N Pak	14¼	14⅝
Wolohan Lumber	3⅜	3¾

Companies with significant home center sales

	As of 12/30	As of 1/6
Action Industries (AMEX) [Action Home Centers]	2⅝	2¾
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	9⅞	10¼
Boise Cascade (NYSE)	34½	33⅜
Cyclops (NYSE) [Busy Beaver]	25⅛	26⅞
Diamond Int'l (NYSE)	40	39½
Edison Brothers (NYSE) [Handyman, Homer's]	24½	24¾
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	17⅛	17¼
Forest City (AMEX)	13⅝	13¾
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	45½	44¼
Interco (NYSE) [Central Hardware]	47⅛	45⅜
Peavey (NYSE) [Fish, Peavey/Thunderbird]	21	21¼
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14¾	15⅜
Supermarkets General (NYSE) [Rickel]	19⅜	18½
Union Camp (NYSE) [Homecrafters]	49⅞	48⅞
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	8⅞	8⅜

Over-the-counter stocks

	As of 1/6 Bid	Asked
Dart Drug	12	12⅜
Hines Lumber	15¼	16½
Pay 'n Save [Ernst, Von Tobel's, Yard Birds]	25⅞	26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National
Home Center News ®

Vol. 8, No. 4 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • February 15, 1982
$7 per year $2 per copy

DIY execs still back Reagan despite industry slowdown

NATIONAL REPORT—While home center executives admit their industry is no better off now than a year ago, few are willing to blame the policies of the Reagan Administration.

Several retailers offered criticism of many of Reagan's first year actions, and were particularly dismayed over the near 9% unemployment rate and still-dizzying interest rates which are strangling the housing industry.

However, more severe attacks were launched at the Federal Reserve's constrictive monetary program and the "profligacy" of past Administrations, with the President receiving high marks for directing the country toward a "better" and "necessary" fiscal course.

"President Reagan has embarked on a program that will bail the United States out, and I'm fully behind him," said Mike Grossman, president of 193-unit Grossman's, Braintree, Mass. "But he cannot correct the evils and sins of the past 50 years in one fell swoop. It's like a chain with a bad store; you put a new manager in and give him at least a year to solve the store's problems."

As far as the home center industry is concerned, Grossman conceded that most businesses were hurting, but added that the retail division of parent Evans Products had its biggest sales and earnings year in 1981.

However, the consensus is that the economic downturn is beginning to erode some of the vaunted resiliency home centers have shown in the past. "The home center industry could not be in worse shape," intoned Richard England, chairman of the 33-unit Hechinger chain, Landover, Md. "We're recession-resistant, not recession-proof."

England saw things getting worse, especially in Washington, where the President, in his Jan. 26 State of the Union message, announced his plan to cut another 75,000 workers from the Federal payroll. "That certainly won't help our stores' sales any," England said.

He added that he was glad to see inflation drop, but felt that more budget cuts were needed "throughout the economy. I can't see why, 30 years after the Korean War, we still have 50,000 troops there. This 'world policeman' attitude is costing America billions of wasted dollars."

Another home center president not enamored with Reagan's speech was Steve Feinstein, head of eight-unit Eclipse Industries, Bridgeton, Mo. "I

(Continued on page 4)

Justice Dept. may help mfrs. revive fair trade

By Ken Rankin and Ken Schept
Washington bureau report

In a shift of policy that could encourage manufacturers to eliminate discount pricing by retailers, the Justice Department has cut back sharply on enforcing certain restraint of trade statutes.

The department may also soon intervene in selected private law suits as a "friend of the court," supporting manufacturers charged with resale price maintenance, or controlling retail prices.

Top Justice Department officials now openly advocate resale price maintenance and other vertical trade restraints that control distribution of goods among manufacturers, wholesalers and retailers.

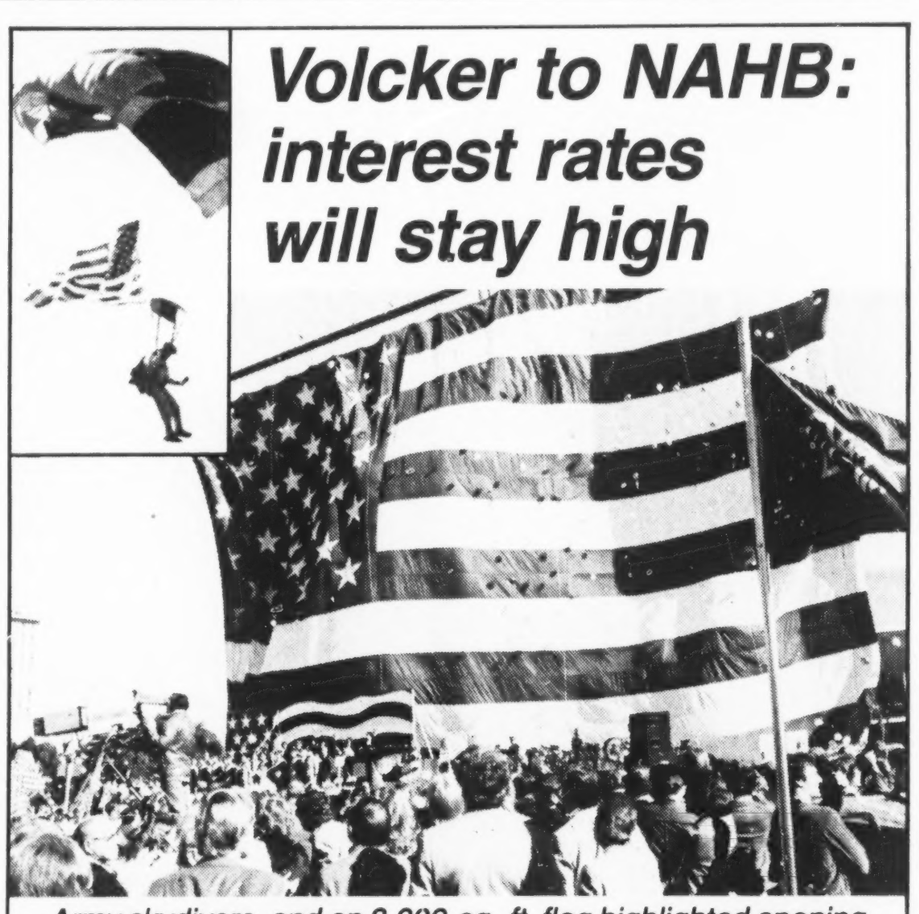
Discounting retailers have been characterized by Justice officials as "free riders" who take unfair advantage of manufacturers and competing "full-service" retailers.

Similar views on vertical antitrust restraints are also surfacing among Reagan Administration appointees to the Federal Trade Commission.

While to retailers the current Washington mood may be reminiscent of Depression-era fair trade, the Administration sees this effort differently.

(Continued on page 35)

Volcker to NAHB: interest rates will stay high



Army skydivers, and an 8,000-sq.-ft. flag highlighted opening ceremonies of 38th convention of the National Assn. of Homebuilders in Las Vegas. The mood, however, was decidedly downbeat as Federal Reserve Chairman Paul Volcker, in a speech to builders, said that while inflation fever is breaking, interest rates are likely to remain high. For more on Volcker, and the NAHB Show, see p. 4. NHCN photos

NEWSBREAKS

EVANS SALES, EARNINGS UP. The 336-unit retail division of Evans Products, Portland, Ore., showed a 9% increase in 1981 sales to $756.2 million, with earnings jumping 2.2% to $53 million. But fourth-quarter volume rose only marginally, and earnings were down 13.5% from $15.6 million to $13.5 million.

CHANNEL TO DOMINATE N.J. HOME SHOW. The first consumer home show in the northern New Jersey area is set for May 5 to May 9 at the new Byrne Meadowlands Arena. The Whippany, N.J.-based home center chain is the show's largest exhibitor, with 26 booths out of the show's total of 400 display spaces.

Payless rebounds in '81; net rises 52% to $16.6M

KANSAS CITY, Mo.—What a difference a year makes.

The 86-unit Payless Cashways has rebounded strongly from a "disappointing" 1980, its revenues increasing 25% to $479 million and its earnings rising 52% to $16.6 million for the fiscal year ended Nov. 28.

Twelve months ago, the chain was suffering from reduced margins, that were crippling net income, and faced a slowdown in sales growth.

Revenues for 1980, though up 21% to $383 million, were deemed "not consistent with our history, nor our expectations for the year" by president David Stanley and chairman Stanley Covey. It was only the second time in a decade that Payless' sales had increased less than 25%.

Net income was even more disappointing, plummeting 24% to $10.9 million, with most of the loss occurring during that year's very hot and dry second and third quarters. The earnings decline was also partially due to the chain's dropping its margins in the fourth quarter to recapture sales.

In addition, the company was highly leveraged, with its interest expense skyrocketing 59% to $7.7 million.

Sales and earnings for 1981 show that the patient has not only recovered, but is on his feet and running. Payless was also able to raise its margin percentage from 28.7% in 1980 to 29.9%, a figure that is projected to exceed the 30% mark by spring 1982. The chain has also shifted its borrowing from short- to long-term debt, and its interest expense of $8.2 million this year is only $50,000 more, or 10% above, its 1980 outlay.

Wayze Zetzman, Payless' vice president-finance, claims the chain is not doing anything radically different, although he

(Continued on page 35)

Pay 'N Pak adds lumber to mix

By Greg Puchalski
NHCN senior editor

KENT, Wash.—Pay 'N Pak, in a major shift in its product mix, will begin introducing lumber products to its stores this spring.

The 88-unit chain will add finished and dimensional lumber along with prefinished molding, plywood and additional hardware to its 11 largest 30,000-40,000-sq.-ft. stores in its fiscal year ended Feb. 28, 1983, according to Pay 'N Pak chairman and chief executive officer David J. Heerensperger.

To make room for the new merchandise, sporting goods and automotive lines will be dropped from the 11 outlets, he noted.

Automotives is one of the product areas being deleted from 11 of the largest Pay 'N Pak units to make room for lumber, plywood and more of the chain's basic lines. NHCN photo

Traditionally, Pay 'N Pak's strong suits have been electricals, accounting for 32% of the chain's total $151.8 million volume in fiscal 1981, and plumbing, garnering 24% of sales. Building materials, including floor coverings and cabinets, claimed 34% of the business a year ago, according to company figures.

Assortments in these areas will be beefed up, Heerensperger said. He is also considering adding more faucets and bathroom items to the plumbing selection and more doors, gypsum and roofing products to building materials.

In all, the stores will hike total sku's from 6,500 to 10,000 by the time the changes are completed, according to Heerensperger.

Sporting goods and automotives accounted for approximately 9% of Pay 'N Pak's business, but a disappointing proportion of profits, according to chain officials.

"Auto and sporting goods

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Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Bonanza to open 2 Bay Area units; eyes more sites

By Jim Storey
West Coast editor

SAN JOSE, Calif.—Following 18 months of extensive store upgrading, Bonanza Building Centers is looking to increase its dominance in this southern San Francisco Bay Area.

The four-unit chain, which began operations in 1980 when Australian conglomerate Burns-Philp purchased four Angels home centers from W. R. Grace, is scheduled to open its fifth store this month in nearby Santa Clara. A sixth unit is scheduled to open north of here in Newark later this spring.

The 28,000-sq.-ft. Santa Clara unit will open in a former Kress variety store, while the Newark home center will comprise from 30,000 to 35,000 sq. ft. of a former Treasury discount store.

Future expansion

Bonanza is also looking for additional existing facility sites for future expansion, a company official said.

Stephan Elliot, Bonanza merchandise manager, said that approximately 50% of the initial merchandise for the two new stores would be composed of inventory supplied from existing stores. "It [opening the new stores] is an ideal opportunity to reduce inventory," he said.

The four Bonanza stores are pumping out a combined annual volume in the $20 million range, Elliot said. Sales per square foot (of selling space) are averaging $160, while average transaction per customer is approximately $20, he noted, adding that the chain's financial trend continues on an upward surge.

It wasn't always that way. When Burns-Philp purchased the four stores and their inventory for $5.5 million, "the stores were run-down and business was going downhill," Bonanza president Stanley Nathanson said in an interview last year.

Nathanson, who has been involved in the building materials and home center industry since 1949 when he founded Republic Lumber in Chicago, brought in a hand-picked management team. They set out to completely remerchandise the stores while advertising heavily to build sales and customer counts.

The chain then began a major store-by-store facelift that included a new paint job, new exterior and interior signing, new tile floors, cash registers, shopping carts and fixtures.

"It was a drastic change," noted store manager Lee Spicer. Spicer, who also worked for Angels prior to the takeover, called the stores "more professional."

He pointed out some specific changes in his store, including: the lengthening of the gondolas from 40 ft. to 56 ft. to better accommodate the chain's good, better, best merchandise lines; the overall broadened assortment in each line to give customers more choice, and the extensive cross-merchandising of related products.

Spicer also noted that Bonanza has made subtle changes in merchandising, such as hanging sales tags down to eye-level from the lights, and suspending ceiling fans from new

(Continued on page 35)

Bonanza unit in San Jose, Calif., features 56-ft. gondolas to accommodate good, better, best lines. The store carries approximately 22,000 sku's. NHCN photo

Net falls 39% in qtr.

Scotty's lays off 100 full-timers

WINTER HAVEN, Fla.—Nearly flat sales and a 39% decline in net profits during Scotty's second quarter, ended Dec. 26 (*NHCN*, Feb. 1) prompted the 88-store chain to take new staff reduction measures in an attempt to regulate expenses, Scotty's officials said.

The company has issued temporary leaves of absence to more than 100 full-time employees at store level through last month, after staff cutbacks through attrition proved inadequate to control wage and benefit expenses, according to Harold W. Taylor, senior vice president and chief financial officer.

During the second quarter, Scotty's payroll and benefit expenses increased nearly 12% from the same period a year ago to $11,425,000 while total operating expenses climbed 14.6% in the period to $18,424,000.

Small increases in sales and gross profit in the quarter were not sufficient to keep net earnings from sliding to $1,441,000.

Taylor said the company hopes to have the laid-off employees back on the job by year-end if they want to return.

He added, however, "We've been on the attrition program since August and we've placed a freeze on the employment of new people."

The chain employs about 3,000 full-timers and 500 part-timers, Taylor said.

Scotty's results have been aided by gross margins that have remained even or slightly higher than in the first half of fiscal 1981 and interest income which has grown significantly from a year ago thanks to investment of $14 million-$16 million of reserves in certificates of deposit, commercial paper and A-rated or better preferred stock of utilities, Taylor indicated.

Despite the overall results, analyst Barbara T. Alexander of Smith Barney Harris Upham, New York, is still bullish on Scotty's stock essentially because the chain remains firm on its aggressive long-range planning and its gross margins are fairly strong.

Six states lift bans on kerosene heaters

NEW YORK—Six states have taken legislative action over the past eight months to lift their bans on home use of portable kerosene heaters.

Buyers at home center chains not carrying the heaters indicated however, that they are still reluctant to add the product to their inventory, generally considering it "not worth the risk" of potential store liability in the event of accident.

Buyers at chains currently carrying the heaters told *NHCN* that, because of the confusion anticipated by conflicting local and state laws, signage, warning labels and well-versed floor personnel would continue to be the rule.

Several retailers in the states affected—New York, Rhode Island, Delaware, Maryland, Ohio and New Hampshire—noted that restrictive local codes will blunt the impact of the state actions. The new guidelines are:

- In New York, kerosene heaters of less than 2-gal. fuel capacity and "listed" by a "nationally recognized independent testing laboratory acceptable to the Secretary of State" were approved for use in single-family dwellings in communities under 500,000 in population, where not restricted by local code or statute.
- In Rhode Island, the ban was lifted unconditionally.
- In Delaware, approval was granted to "listed" kerosene heaters confined to single-family dwellings and approved by the State Fire Prevention Commission.
- In Maryland, the Fire Prevention Code was amended to permit UL listed heaters in one- and two-family dwellings.
- In Ohio, "listed" portable

(Continued on page 33)

'81 tally: 1,086,000 housing starts

WASHINGTON—Actual housing starts in 1981 totaled 1,086,000, the lowest since World War II, according to the Commerce Department.

Permits, indicating future construction, were off 35.4% in December from a year earlier. Every region ended the year significantly down in both seasonally adjusted starts and permits.

The good news in December was that, compared to November, the rate of new home starts was up 13.3% and permits rose 11.6%. It was the first monthly gain in seasonally adjusted starts since July, when total home construction rose 1% after a 10% downturn in June, which followed a 13% drop in May.

Another optimistic year-end event was a decline in mortgage interest rates between the first week in November and the first week in December, "the first significant drop in mortgage rates since the summer of 1980," according to the Federal Home Loan Bank Board.

If interest rates in 1982 decline to 13½% for F.H.A.-insured mortgages, housing could reach 1.2 million units, according to Michael Sumichrast, chief economist for the National Assn. of Home Builders. Otherwise total units started this year may not reach 700,000, he said.

December 1981 housing activity

Data for actual new home starts and permits;
(Bold numbers in parentheses are seasonally adjusted annual rates)

	STARTS			PERMITS		
	Dec. Starts in 1,000's	% Change from Nov.	% Change from Dec. '80	Dec. Permits in 1,000's	% Change from Nov.	% Change from Dec. '80
Northeast	8.3 **(114)**	25.8 **(42.5)**	− 9.8 **(−13.0)**	6.4 **(83)**	− 5.9 **(− 2.4)**	−20.0 **(−27.8)**
North Central	7.3 **(146)**	−27.7 **(14.1)**	−43.0 **(−43.6)**	6.8 **(118)**	−13.9 **(20.4)**	−44.3 **(−44.1)**
South	33.3 **(507)**	− 8.3 **(2.0)**	−36.0 **(−36.1)**	31.7 **(422)**	13.2 **(10.5)**	−31.8 **(−31.9)**
West	13.2 **(211)**	20.0 **(33.5)**	−39.7 **(−40.1)**	13.7 **(184)**	20.2 **(16.5)**	−39.1 **(−39.3)**
Total Housing	62.0 **(978)**	− 3.1 **(13.3)**	−35.2 **(−36.3)**	58.5 **(807)**	8.1 **(11.6)**	−34.4 **(−35.4)**
Single Family	34.2 **(579)**	−15.8 **(1.8)**	−39.6 **(−40.6)**	29.6 **(458)**	2.8 **(14.2)**	−38.6 **(−39.2)**

Source: Department of Commerce; NHCN chart.

While seasonally adjusted starts in December were down 35.2% from a year ago, they were up 13.3% from November in the first monthly gain since July. Permits also rose by 11.6%.

INSIDE

BONANZA looks to increase its dominance in the San Jose, Calif., area, p. 2. . . . **COAST TO COAST** will open a full-line, franchised home improvement outlet next year, p. 3. . . . **PHOTOS** and a roundup story on the NAHB Las Vegas show, p. 4. . . . **HOME CENTER** market is turning into manufacturers' only alternative, p. 15. . . . **CERAMIC TILE** and grass cloth are seen as bright spots in wall decor. A photo-report, pp. 18-25.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 4. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 4 February 15, 1982

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Evans Products	12/31-4th qtr.	$ 364,640	$ 358,817	2	$ 5,868	$10,649	−45
	12/31-Year	1,537,157	1,462,852	5	17,620	40,961	−57
Payless Cashways	11/28-4th qtr.	129,521	114,089	14	5,204	4,207	24
	11/28-Year	479,137	383,057	25	16,632	10,959	52
Scotty's	12/26-5 wks.	24,973	26,033	− 4	—	—	—
	12/26-2nd qtr.	70,290	69,605	1	1,441	2,376	−39

*$ in thousands

Pay 'N Pak sales rise 25% in 3rd qtr.

KENT, Wash.—Pay 'N Pak helped boost sales through aggressive promoting during its third quarter ended last Nov. 30, according to David J. Heerensperger, chairman and chief executive officer.

The promotions, including higher than normal use of television, helped the 88-store chain show a 25% hike in sales over the third quarter a year ago to $51,699,279.

Because of high advertising expenditures combined with high borrowing costs, the company's net earnings rose only 17% from the previous third quarter to $2,078,636, Heerensperger said.

He added, however, that short-term debt would be nearly completely paid off during the fourth quarter and that inventory, relatively high at the start of the third quarter, had already reached proper levels.

Pay 'N Pak also completed its store refurbishing program (*NHCN*, March 16, Oct. 26, 1981) during the third quarter, Heerensperger said.

Home Depot pays stock dividend

ATLANTA—The Home Depot paid a 50% stock dividend on Jan. 19 to facilitate ownership and to broaden the base of its stock, according to chairman Bernard Marcus.

The dividend increased the number of Home Depot common shares outstanding to just under four million and also had the effect of lowering the price of the stock as planned.

On Jan. 19, the eight-unit chain's stock was bid at 21 and had an asking price of 21½. A day later, the stock was bid at 14 and asked at 14½.

The company went public last Sept. 22 (*NHCN*, Nov. 9, 1981) and has watched its stock climb steadily from its original $12 per share price.

FUTURES

Two weeks ended Jan. 22, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	160.00	145.30	145.40	154.70	3,823	247.50	145.30
May	166.50	152.00	152.10	161.90	2,816	220.30	152.00
July	175.20	162.30	162.30	171.80	943	224.50	162.30
Sept.	182.90	171.90	171.90	179.90	625	229.50	171.50
Nov.	183.00	172.60	172.80	181.20	641	224.50	172.00
Jan. '83	190.90	183.00	183.30	192.20	485	205.50	183.00
March	195.60	189.10	189.10	—	7	209.80	189.10

Total Contract Vol. (Through 1/22): 26,212 — **Previous Two Weeks: 12,236**
Total Open Interest (As of 1/21): 9,348 — **Previous Week: 9,031**
Cash Price: $133.28 — **Previous Week: $136.22** — **Year Ago: $158.76**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Jan.	164.00	152.00	161.50	161.00	0	232.00	152.00
Jan.**	191.00	178.00	188.50	184.90	0**	244.00	178.00
March**	191.00	181.60	186.30	188.30	2,388**	252.00	181.60
May**	197.00	188.50	192.30	194.20	1,118**	241.00	188.50
July**	201.50	193.40	196.50	198.20	367**	219.00	193.40
Sept.**	206.50	197.50	203.00	203.10	409**	224.50	197.50
Nov.**	210.50	202.30	206.60	206.00	43**	226.50	202.30

**Revised Contract.

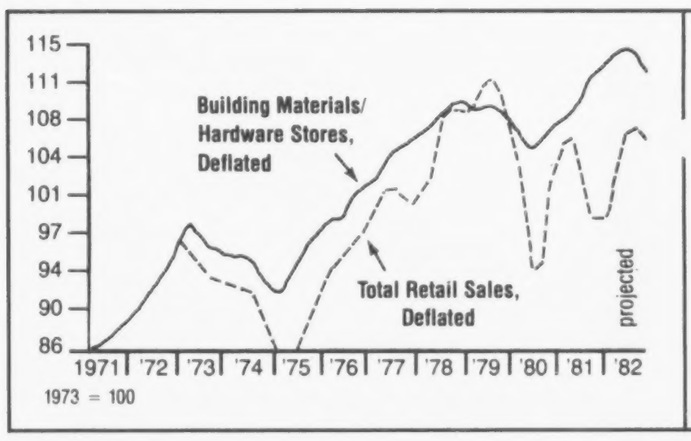
Total Contract Vol. (Through 1/22): 3,925 — **Previous Two Weeks: 2,465**
Total Open Interest (As of 1/21): 4,725** — **Previous Week: 4,239****
Cash Price: $179.34 — **Previous Week: $177.38** — **Year Ago: $210.70**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	261.9	259.8	305.0

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Jan. 21
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

L/F ECONOCYCLE

DIY retailers put bets on spring pickup



Building Materials & Hardware

Sales Change By Quarter

	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %
Sales include Inflation	8.4	15.2	7.5	− 2.0	−4.8	7.1	16.6	16.5
Real sales (Deflated)*	−1.2	6.0	0.8	− 7.2	−8.2	2.8	8.8	6.8

12-Month % Change

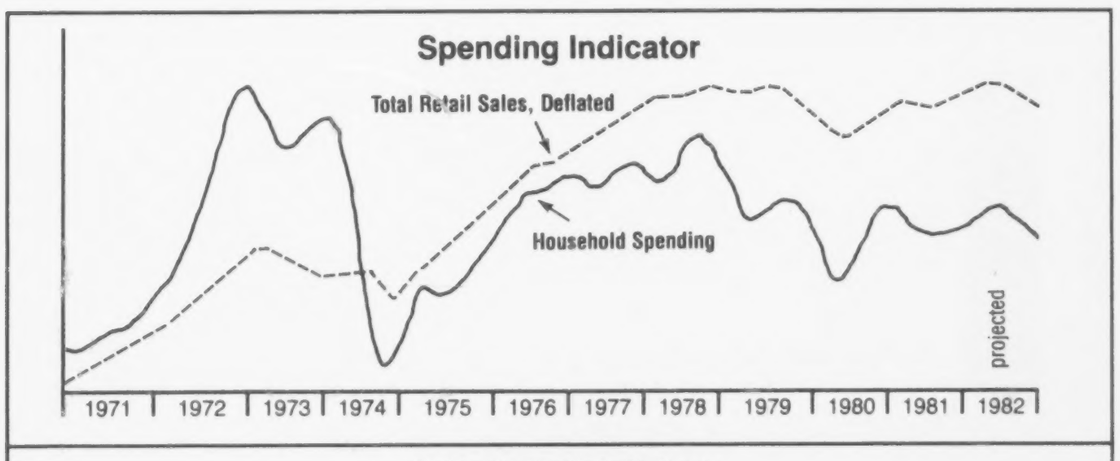
'80 %	'81 %	'82* %
− 3.2	7.1	8.5
−12.4	−0.5	2.2

Base = Nov. 1981 Sales
*Projected

Tight-fisted consumer spending patterns (chart below) are once again acting as a mirror to the general retail sales curve—indicating that retail gains could match, but won't outrun 1981 results, according to the latest Econocycle projections.

Coupled with a current downturn in the spending mood, in fact, general retailing is not expected to begin stepping ahead until midyear. The good news is that sales should start inching up through the second quarter, propelled by strong gusts in several key retail sectors.

DIY retailing is programmed for a sharp pickup with the spring thaw, but sales won't match '81 levels, despite an upturn expected to begin next month.


Spending Indicator
Total Retail Sales, Deflated
Household Spending
projected
1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982

Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	8.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4'
	2Q	13.6	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.5	9.7	7.5	8.1	5.1	8.5	9.4	8.3
	4Q	7.4	8.3	6.6	− 2.0	4.3	3.4	7.9	5.5	5.6
1982	1Q*	5.3	8.1	5.8	− 4.8	4.6	3.0	3.8	3.1	3.2
	2Q*	3.6	8.1	5.3	7.1	4.6	9.5	6.2	2.9	5.0
	3Q*	7.0	8.6	9.3	16.6	6.0	10.9	6.7	7.2	7.9
	4Q*	10.3	9.5	11.3	16.5	6.7	8.8	5.9	10.5	9.1
% change 12 mos.	1980	6.4	10.8	8.7	− 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.9	9.7	8.7	7.1	8.2	6.4	8.7	8.8	8.2
	1982*	6.6	8.6	7.9	8.5	5.5	8.0	5.6	5.9	6.3

Real Sales (Deflated)
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	0.7	− 1.4	− 2.1	− 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.2	1.4	0.6	0.8	− 1.7	− 0.4	4.1	3.1	2.6
	4Q	0.4	3.6	− 1.0	− 7.2	− 4.1	− 2.1	4.5	0.4	0.8
1982	1Q*	− 1.5	2.4	− 0.5	− 8.2	− 2.1	− 3.4	0.7	− 1.8	− 1.6
	2Q*	0.6	− 0.6	− 1.3	2.8	− 0.1	1.6	3.2	− 2.2	− 0.3
	3Q*	2.2	− 0.7	2.2	8.8	2.7	2.3	3.8	1.9	2.4
	4Q*	3.2	− 0.6	3.2	6.8	3.4	0.7	2.5	3.5	2.7
% change 12 mos.	1980	− 3.3	3.0	− 0.7	−12.4	2.5	− 1.4	0.1	− 1.5	− 1.2
	1981	1.7	1.0	− 0.1	− 0.5	− 1.3	0.7	4.7	2.5	2.6
	1982*	1.1	0.1	0.9	2.2	1.0	0.3	2.6	0.3	0.8

Base = Nov. 1981 Sales
*Projected

The L/F Econocycle projection is for ongoing recovery of general home improvement sales through the second quarter. Sales in March are expected to develop at −4% (against March '81), following a 10% decline in February.

Looking ahead, total retail sales project a steady decline through March (off roughly 2%), followed by a strong snapback in the spring months. The industry's trendline will continue to improve, thanks to "assists" from several key retail sectors.

- Supermarket and grocery sales figure to match 1981 gains during the first quarter; and by year-end, food volume will again top prior year stats.
- Apparel specialties and department stores are expected to post first quarter gains, too, up to 2% higher.
- Slippage in discount stores (which began in the fourth quarter of '81) should ease up over the next two months.

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

STOCK PRICES

Companies with predominant home center sales

	As of 1/13	As of 1/20
Lowe's (NYSE)	11⅞	12⅝
Payless Cashways (NYSE)	16	16¼
Scotty's (NYSE)	17⅜	17⅜

Over-the-counter stocks

	As of 1/20 Bid	As of 1/20 Asked
Erb Lumber	9¾	11½
Hechinger	17¼	17½
The Home Depot	14	14½
Pay 'N Pak	14	14⅜
Wolohan Lumber	3⅜	3⅝

Companies with significant home center sales

	As of 1/13	As of 1/20
Action Industries (AMEX) [Action Home Centers]	2½	2½
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	9⅝	9½
Boise Cascade (NYSE)	31¼	32⅝
Cyclops (NYSE) [Busy Beaver]	25⅜	25½
Diamond Int'l (NYSE)	40⅛	39¼
Edison Brothers (NYSE) [Handyman, Homer's]	24⅞	25
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	16⅞	16
Forest City (AMEX)	12⅜	12¼
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	40⅞	41⅝
Interco (NYSE) [Central Hardware]	46⅛	45⅞
Peavey (NYSE) [Fish, Peavey/Thunderbird]	21	20¾
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14⅞	15¼
Supermarkets General (NYSE) [Rickel]	17⅞	17⅝
Union Camp (NYSE) [Homecrafters]	45½	44
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	8¾	8⅜

Merchandising paint . . . pp. 17-28

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65001946A
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 800
WASHINGTON DC 20014

National Home Center News®

Vol. 8, No. 5 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • March 1, 1982
$7 per year $2 per copy

Retailers face state tax blitz to offset cuts

WASHINGTON—This year's deep Federal spending cuts—and what is clearly the first round in a massive shift of tax and social welfare programs to state and local governments—has put retailing in the middle of a new kind of pressure cooker.

Since the first of the year, an unprecedented wave of state and local legislation has been drafted and introduced throughout the nation that aims at recouping billions of dollars in lost revenues through a series of expanded taxes on retail operators and units.

NHCN will feature a complete wrapup of state legislative tax proposals in our next issue.

The shift of 43 major Federal programs to the states will cut their income from Washington by 14.8% this year. By 1986, Federal grants to state and local levels will probably be sliced in half—at a cost of $2.3 billion this year and $27.5 billion by 1986, thanks to new tax breaks to corporations.

The dilemma state and local governments face is: where to find alternate revenue sources without cutting back on needed services. Some are already battling huge existing budget deficits and there's little hope they can recoup from existing revenue streams.

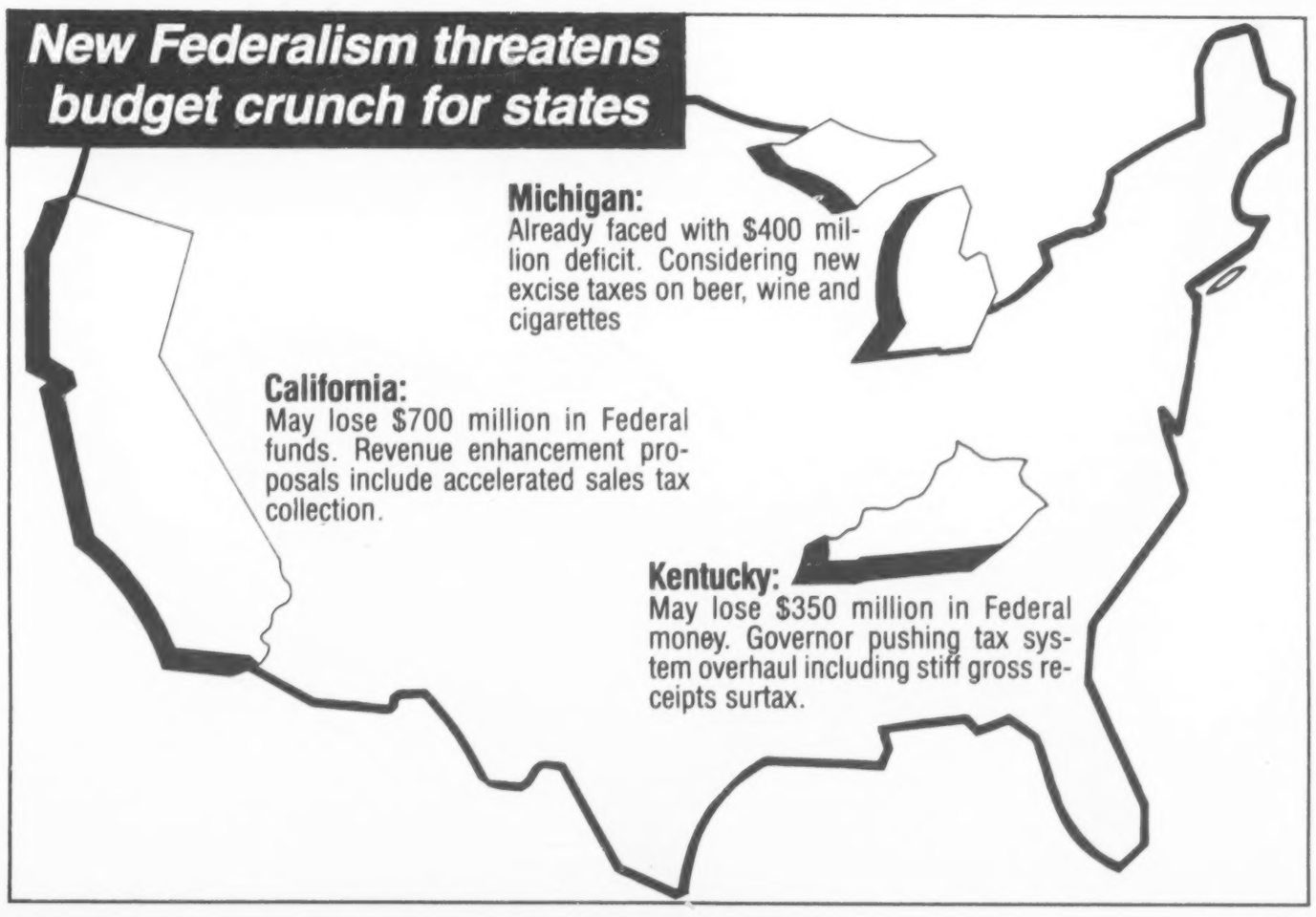
What retailers of all sizes and stripes should watch closely in the months ahead is the way state legislatures shape their taxing packages. *NHCN* Washington bureau research indicates retailers will be high on the "hit" list to help carry an even bigger burden than they do now.

Although there's little chance that the antichain taxes of the 1930's will be revived, state and local authorities will be examining retailing for new revenue streams to keep lunch or food stamp programs for the poor intact.

The most likely threats will come from increases in so-called luxury and excise taxes on retail goods in many sectors and regions of the country. The pressure is building already in several bellwether states to hike sales tax rates so more localities can pay for buses, subways and other social programs.

- **Michigan**—racked by high unemployment and a deeply depressed economy—is already $400 million in the hole. Its answer, for starters: A new round of excise taxes on beer, wine, cigarettes.
- **South Dakota** is considering

(Continued on page 56)


New Federalism threatens budget crunch for states
Michigan:
Already faced with $400 million deficit. Considering new excise taxes on beer, wine and cigarettes
California:
May lose $700 million in Federal funds. Revenue enhancement proposals include accelerated sales tax collection.
Kentucky:
May lose $350 million in Federal money. Governor pushing tax system overhaul including stiff gross receipts surtax.

Home center executives report no major cutbacks in their contingents attending the 1982 Home Center Show at Chicago's McCormick Place, March 14-17. NHCN photo

Industry preps for Chicago show

NATIONAL REPORT—Despite the generally dismal economic climate, home center executives queried by *NHCN* plan no cutbacks in their contingents attending the 1982 National Home Center/Home Improvement Congress and Exposition, scheduled for March 14-17 in Chicago.

Evaluating new products, conferring with vendors and exploring new merchandising techniques should take up most of the attendees' time, along with renewing old friendships and developing a 1 to 1 rapport with new associates.

Jim Mannix, merchandise manager for nine-store Chase-Pitkin, Rochester, noted that, although fewer people will be going from his company no aspect of the show will be ignored.

"We'll be looking at new fireplace lines, tying up some odds and ends in paneling and evaluating some new products," he said. "We still believe that any growth over the next six months to a year will be in the area of new products."

Attending the show from Chase-Pitkin will be general manager Jerry Yehl, new hard line purchasing manager Roger Anderson and Mannix. Yehl will be "developing a rapport with

(Continued on page 62)

Northeast dealers ready for gypsy moth invasion

By Kennet[illegible] Schept
NHCN senior editor

REGIONAL REPORT—Gypsy moths, which last year defoliated 12.9 million acres in the Northeast, will return this year to do equal or greater damage, according to the U.S. Department of Agriculture.

While some retailers were caught off guard by last year's demand, enabling other merchants with supplies to maintain prices on related pest control products, this year everyone is ready.

Despite the sales potential of the moth problem and plans for a manufacturer TV promotion blitz this spring, stores are approaching the season cautiously, even in the discount industry.

"Maintaining prices depends on what our friends at K mart do," said Jim Guck, lawn and garden buyer for Chase Pitkin. "Last year it didn't matter. They were out in a day or two. Price didn't mean anything. This year everyone seems geared up for it."

Chase Pitkin, with nine

(Continued on page 61)

Diamond backs merger with Goldsmith firm

NEW YORK—Diamond International, operator of 120 home centers, has decided to support a revised merger proposal that would join it with Cavenham Holdings, a British company run by Generale Occidentale, and controlled by financier Sir James Goldsmith.

The proposed merger agreement follows months of negotiations that were originally intended by Diamond to block the takeover bid by Sir James.

Under the terms of the proposed merger, Diamond shareholders other than those affiliated with Cavenham would receive $44.50 for each share of Diamond stock. Cavenham currently owns about 40% of Diamond's 13.7 million shares of outstanding common stock.

The terms of the current agreement were revised from a previous offer of $21 per share in cash plus debentures valued at $21 (*NHCN*, Jan. 18).

(Continued on page 61)

NEWSBREAKS

WICKES STRIKES CREDIT DEAL. Wickes, parent of Wickes Lumber and Builders Emporium, has announced plans to sell its agriculture division to Pillsbury, as part of a deal to secure a $580 million revolving credit agreement. The division, with 1981 sales of $236 million, and other assets are being sold "to meet the debt reduction schedule" laid down by the Wickes' lenders.

NEW NAME. Plywood Minnesota franchise units that broke away in September to set up an independent firm, PMI, have renamed the 44 outlets The Floor to Ceiling Stores.

BEAVER LUMBER PRESIDENT REPLACED. Albert Plant, who was president of the 200-plus unit Beaver Lumber chain, Toronto, Ontario, for almost 18 months, has been replaced by Alan Keyworth, Beaver's former president and currently senior vice president of the retail merchandising group for Molson, Beaver's parent.

CONKLIN UNITS SOLD TO MOFFATT. The Exeter and Goderich, Ontario, sites of troubled Conklin Lumber have been bought by Moffatt & Powell for a reported $2½ million (Canadian) following the company's recent merger with Powell Building Materials, Strathroy, Ontario.

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Canadian Tire set to add DIY items to more stores

TORONTO—Retail giant Canadian Tire finally appears ready to add do-it-yourself products, including lumber and building materials, to many of its stores.

The 355-unit, dealer-owned-franchise company last year added the items to seven stores increasing to 13 the number of outlets that carry lumber, plywood, insulation, doors and roofing to go along with its basic hardware, automobiles, home decor and seasonal mix.

Recently, however, Canadian Tire officials have invested time in fine-tuning its DIY lines before committing many more stores to the program. According to senior buyer of home improvements Dave Antcliffe, the fine-tuning is just about complete.

"We're ready to move more aggressively into home improvements," Antcliffe said. "I can't say how many stores will add the merchandise. Not all stores can. But, we've worked out the bugs. We had to decide who we wanted to cater to and the mix of products."

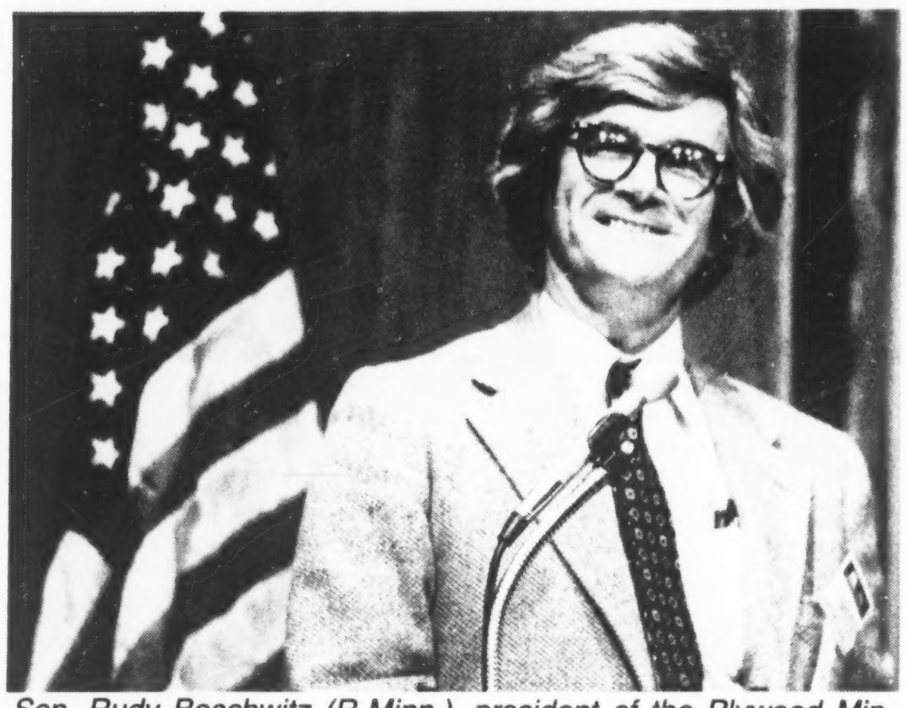
The company decided it would try to attract the do-it-yourself renovation market only and sell a basic mix.

"Long lengths of lumber for construction projects went out," Antcliffe related, noting that the lumber offered basically goes up to 8-ft. lengths. "Before, we carried more in the way of roofing, but now it is essentially shingles only. Most of our stores are in shopping plazas and didn't have the room or the need for some of those products."

Canadian Tire stores that carry lumber and building materials include two in the Montreal market, another in the Winnipeg area and several others scattered throughout Ontario, Antcliffe said. The home improvement departments normally range in size from 3,000 to 4,000 sq. ft. but some larger units have as much as 8,000 sq. ft. devoted to the category.

The product additions have been accommodated in space formerly used for warehousing or by condensing other departments, according to Antcliffe. He said that the company views the new lines as "a natural extension of our business."

Lumber and building materials are not "high priority" items in Canadian Tire's proposed acquisition of White Stores, Wichita Falls, Tex.



Sen. Rudy Boschwitz (R-Minn.), president of the Plywood Minnesota home center chain, has introduced a bill to the Senate to establish urban enterprise zones. NHCN photo

Altman added to West Coast staff

Altman

LOS ANGELES—Brad Altman has joined the West Coast Editorial Bureau of *NHCN*'s parent, Lebhar-Friedman and will be a correspondent for *National Home Center News* and *Chain Store Age Executive*, two of Lebhar-Friedman's seven retailing publications.

A 1977 graduate of California State University at Long Beach with a B.A. in journalism, Altman, 27, is a former general assignment reporter and consumer columnist at a Knight-Ridder daily, the *Long Beach Independent Press-Telegram*. He has also worked for the Associated Press' business news department in New York and the *Orange County Register* in California.

Altman's assignment to the Los Angeles office brings the number of Lebhar-Friedman West Coast editors to four. Susan Warner is bureau chief, supervising editors Louis Karney and Jim Storey.

NHCN's West Coast Bureau is located at 606 North Larchmont Blvd., Los Angeles, Calif. 90004, phone: 213-464-8321.

Reagan backs enterprise zones

Senate considers Boschwitz bill

By Kenneth Schept
NHCN senior editor

WASHINGTON—The Reagan Administration will soon submit legislation to Congress establishing the urban enterprise zones that the President referred to in his State of the Union address.

The purpose of the bill is to create jobs in distressed areas of the nation's cities by offering tax advantages to lure businesses into the zones.

There is currently a House version of the legislation and a Senate bill sponsored by Sen. Rudy Boschwitz (R-Minn.), president of Plywood Minnesota, the 20-store Midwest home center chain. The Administration version is expected to alter some tax advantages and permit the relaxation of various regulations.

Labor has predictably criticized the legislation since one of the regulations that could be relaxed is the minimum wage. Business is split over the bill.

Even Boschwitz, who views the legislation as a way for poor families to break out of the cycle of poverty, candidly admits that for some businesses, including his, the zones are not appropriate.

"He feels that because it is a retail business it would be difficult to get people into an urban setting to shop because of problems like crime," said Lillian Saunders, a Boschwitz aide.

However, since the zones may stimulate building with an investment tax credit for housing renovation, they could be beneficial to the home center industry, Saunders said. In addition, the areas might be par-

(Continued on page 60)

Existing home sales drop to 2.35M in 1981

WASHINGTON—Sales of existing homes in 1981 totaled 2,350,000 units, down 30% or 700,000 units from a year earlier in the worst performance since the recession of 1974, according to figures compiled by the National Assn. of Realtors.

While the median resale price of a home grew 6.8% to $66,900 in 1981, that increase did not keep pace with inflation, according to the association.

"In fact, if the Government throughout 1983, continues its excessive deficit spending and unnecessarily tight credit policies, which are keeping interest rates high, the average American home will lose 25% of its value," said Jack Carlson, chief economist and executive vice president of the NAR.

While 1981 was dismal for sales of existing homes, the year ended with a 1.6% increase in sales from November to December, when the seasonally adjusted rate reached 1,920,000. When home resales peaked in 1978, the seasonally adjusted rate reached 3,863,000 units.

The relatively minor boost in sales that ended 1981 was enough, however, for Carlson to predict a housing market recovery.

"We can expect the market to improve moderately by spring and summer and if interest rates decline, the recovery could span the entire year," he said.

Regionally, the decline in sales of existing homes was as follows: in the South sales were 966,000, down from 1,451,000 in 1980; the Northeast, 335,000 from 384,000; the North Central, 627,000 from 797,000, and the West 420,000 from 547,000.

Nielsen surveys DIY projects

Paint, caulking among top ten

NORTHBROOK, Ill.—Next to waxing the family car, painting the interior of one's home is the most popular DIY project tackled by Americans, according to a private study conducted last spring.

In a survey of 3,000 households by the audience research firm A. C. Nielsen, interior painting, the installation of caulking and exterior painting ranked second, eighth and 10th, respectively, on Nielsen's list of the top 10 most common DIY projects.

Projected nationally, an estimated 41 million people painted the interior of their homes in the previous year, second only in popularity to waxing or polishing a car, which was done by 44 million.

An estimated 22 million people installed caulking, the study said, while about 21 million painted the exterior of their house. Changing the oil in the family car ranked third; changing the air filter ranked fourth and changing the oil filter ranked fifth in the study.

The projections are based on responses to the question, had any member of the household, 15 years or older, participated in selected automotive and home repair and maintenance activities in the past 12 months.

Most popular DIY activities in auto/home categories

Rank	Category	Projected participants (add 000)	Rank	Category	Projected participants (add 000)
1	Wax or polish	44,129	22	Replace engine thermostat	13,514
2	**Painting inside**	**41,353**	**23**	**Lay carpeting**	**12,256**
3	Change oil (not add)	38,210	24	Replace battery cables	11,680
4	Change air filter	38,105	**25**	**Install deadlock/deadbolt**	**10,345**
5	Change oil filter	38,105	**26**	**Install ceiling attic insulation**	**10,292**
6	Change spark plugs	31,348	**27**	**Install wall paneling**	**9,323**
7	Change antifreeze (not add)	29,410	28	Replace shock absorbers	8,538
8	**Install caulking**	**21,946**	29	Replace engine starter	8,511
9	Change gas filter	21,266	**30**	**Install floor tile**	**8,407**
10	**Painting outside**	**21,187**	**31**	**Install storm doors**	**7,176**
11	Change distributor points	20,794	32	Replace fuel pump	7,097
12	Replace battery	18,987	33	Replace ignition cables	6,495
13	Replace sealbeam headlights	18,175	34	Replace voltage regulator	6,181
14	Replace fan belt	18,175	**35**	**Install storm windows**	**6,128**
15	**Install weather stripping**	**18,123**	**36**	**Install wall insulation**	**5,788**
16	**Wall papering**	**17,468**	**37**	**Install ceiling tile**	**4,374**
17	Replace radiator/heater hoses	16,342	**38**	**Install new roofing**	**4,321**
18	**Install doorknob lockset**	**15,111**	39	Replace radiator	4,218
19	Replace spark plug wires	14,430	**40**	**Install carpet tile**	**3,614**
20	Install radio/stereo/CB	14,430	**41**	**Install wall tile**	**3,326**
21	Replace transmission fluid	14,247	**42**	**Install thermal windows**	**2,357**

Included total continental United States population, age 15 or over.

Source: A. C. Nielsen

INSIDE

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 5. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 5 March 1, 1982

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Action Industries	12/26-2nd qtr.	$ 18,714	$ 16,884	11	–$ 4,163	$ 579	—
Boise Cascade	12/31-4th qtr.	728,290	807,310	–10	37,240	43,370	–14
	12/31-Year	3,107,360	3,018,940	3	120,080	147,940	–19
Cyclops	12/31-4th qtr.	246,691	267,184	– 8	3,286	7,840	–58
	12/31-Year	1,031,414	978,976	5	21,384	20,407	5
Scotty's	1/23-4 wks.	20,911	20,972	—	—	—	—
Southwest Forest Ind.	12/31-4th qtr.	172,441	177,142	– 3	6,163	7,454	–17
	12/31-Year	779,461	737,938	6	18,420	32,263	–43
Union Camp	12/31-4th qtr.	373,867	394,692	– 5	35,647	40,393	–12
	12/31-Year	1,665,888	1,574,825	6	168,948	165,132	2

*$ in thousands

49 Homecrafters are still on the block

WAYNE, N.J.—Union Camp, having completed the sale of its Moore-Handley wholesale hardware, industrial supply and machine tool divisions, is still trying to sell 49 Homecrafters stores in the Southeast, sources indicated.

In the meantime, the Homecrafters outlets have a new corporate name, Homecrafters Centers Inc., the new name replaces the Moore-Handley name, which will be retained by the purchasers of the three divisions. Stores will continue to operate under the Homecrafters name, however.

The sale of the three divisions to a private investment group led by William Riley of New York and Pierce E. Marks Jr. of Atlanta is believed to be in the eight-figure range.

Union Camp continues to try to strike a deal for the sale of the entire $100 million, 40%-DIY Homecrafters chain, according to sources.

The leading contender for the chain continues to be Diamond International, which is showing the strongest interest in purchasing the whole chain.

STOCK PRICES

Companies with predominant home center sales

	As of 1/27	As of 2/3
Lowe's (NYSE)	13¼	13¾
Payless Cashways (NYSE) [Furrow]	16⅞	17¾
Scotty's (NYSE)	16⅞	18⅜

Over-the-counter stocks

	As of 2/3 Bid	Asked
Erb Lumber	10	11½
Hechinger	15¾	16⅛
The Home Depot	13½	14¼
Pay 'N Pak	13¾	14⅛
Wolohan Lumber	3⅜	3⅝

Companies with significant home center sales

	As of 1/27	As of 2/3
Action Industries (AMEX) [Action Home Centers]	2⅜	2½
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	10	10
Boise Cascade (NYSE)	30½	31
Cyclops (NYSE) [Busy Beaver]	24¾	23½
Diamond Int'l (NYSE)	37	37
Edison Brothers (NYSE) [Handyman, Homer's]	23½	23⅝
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	14⅝	15¼
Forest City (AMEX)	12¼	12⅛
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	43⅞	42⅝
Interco (NYSE) [Central Hardware]	44¼	45¾
Peavey (NYSE) [Fish, Peavey/Thunderbird]	20¾	20¾
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14⅛	14
Supermarkets General (NYSE) [Rickel]	17⅝	18½
Union Camp (NYSE) [Homecrafters]	44½	46¾
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	8	8¼

Over-the-counter stocks

	As of 2/3 Bid	Asked
Dart Drug	11⅞	12¼
Hines Lumber	16¾	17½
Pay 'n Save [Ernst, Von Tobel's, Yard Birds]	22	22⅛

Lowe's January sales dip 18%, retail side rises 7%

NORTH WILKESBORO, N.C.—Lowe's sales for the five-week period ended Jan. 30, totaled $54.6 million, an 18% decline from the $67 million reported for the comparable period in 1981.

Retail volume was up 7% from $26.6 million to $28.5 million, while professional builder sales decreased 35% in the period from $40.4 million to $26.1 million. The retail/contractor mix was 52/48 for the period.

Lowe's sales for its fiscal 1981, ended Jan. 31, 1982, totaled $894 million, an increase of 1% over last year.

In another move, Lowe's board of directors recently voted to issue 466,811 common shares to its employee stock ownership plan and trust (ESOP). Shareholders last fall authorized the directors to issue up to 500,000 shares to the plan (*NHCN*, Oct. 26, 1981).

The issuance of the stock will be part of Lowe's fiscal 1981 contribution to the plan and will bring the number of the chains outstanding shares to 20 million. Lowe's ESOP program will hold 2,750,000 of the shares and will be Lowe's largest shareholder.

Southwest Forest '81 biz up 5.6%

PHOENIX—Southwest Forest Industries reported 1981 net income of $18,420,000 compared to 1980's record $32,263,000. Sales for 1981 totaled $779,461,000, a 5.6% increase over 1980 sales of $737,938,000.

Fourth-quarter sales and net income were $172,441,000 and $6,163,000 respectively, compared to $177,142,000 and $7,454,000 in the fourth quarter of 1980.

W. A. Franke, Southwest's president and ceo, said the company's building products group made money during the year, in large part because of the good performance of Knox Lumber retail distribution outlets which were acquired in December 1980.

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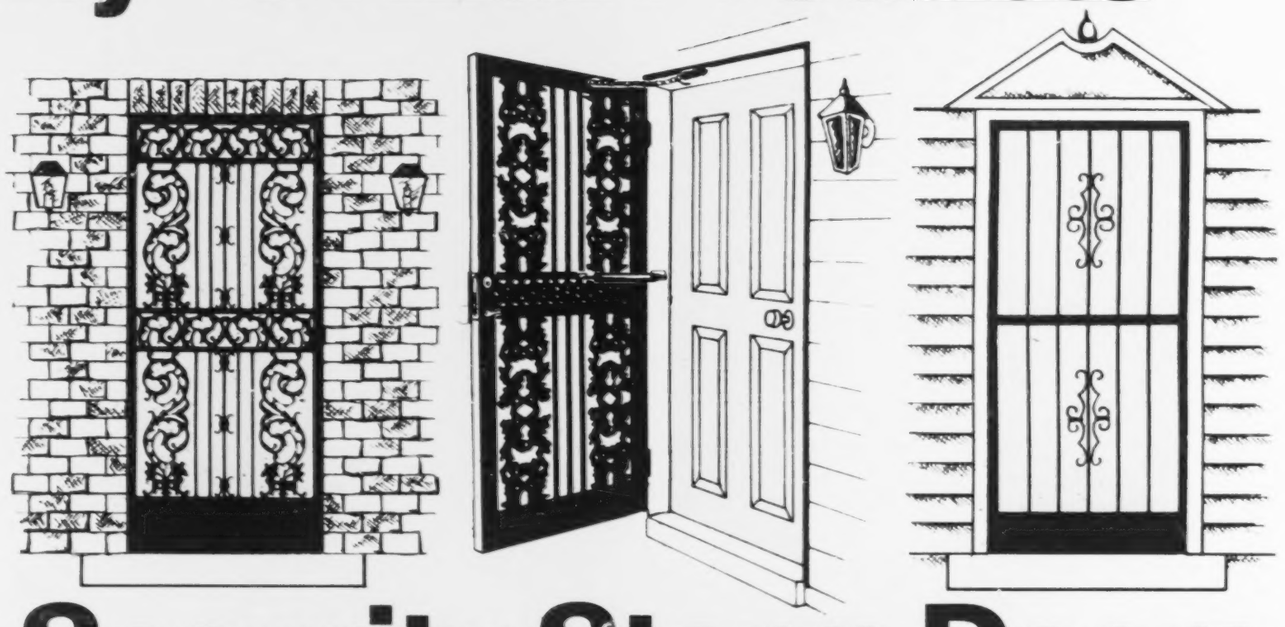

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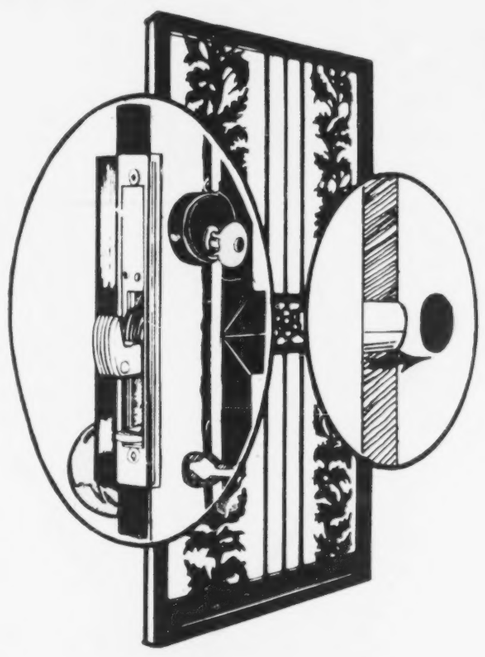

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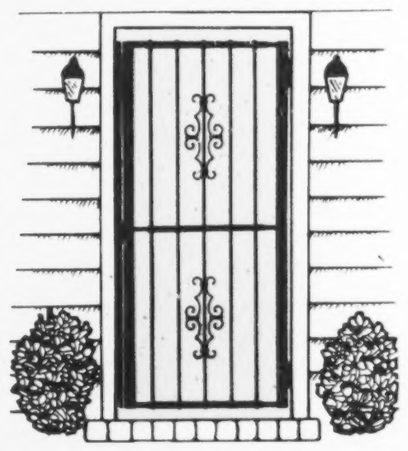

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LUMBER REPORT

High interest rates keep lid on lumber prices

By Hawk Furman
Special to NHCN

The lumber and plywood industry has experienced pain since March 1980 when prices slid 35% from February 1980 levels.

Today, lumber production in North America has been curtailed to 30%-40% of normal. There are 250 mills closed in the Pacific Northwest as a direct result of market conditions.

The construction industry has 900,000 people out of work, and its unemployment rate is over 18%.

The National Assn. of Home Builders states that 250,000 home builders have been put out of business. Housing starts for all of 1981 were at their lowest level since 1946.

But enough depressing history. What is ahead for our industry in 1982?

Housing demand

Demand for homes is incredible. The NAHB estimates the number of housing transactions will fall behind the nation's need at the rate of 100,000 units a month in 1982. Prospective home buyers are impatient and frustrated.

Hawk Furman, sales manager, Furman Lumber, Boston

All of the creative financing vehicles including buy downs, variable rate mortgages, graduated payments, land leases, shared appreciation mortgages, renegotiable mortgages, and mortgage extensions to 40 years have helped, but only slightly.

The basic money rates are just too high. At a 17% mortgage rate, only 1.8 million families can qualify for a mortgage. At a 12% mortgage rate, 7.9 million families can.

Only if mortgage rates drop will demand begin to be satisfied significantly.

Lumber production

Lumber and plywood producers in North America have cut back to the bone.

Even the biggest Canadian lumber manufacturer, MacMillan Bloedel, felt the full force of high interest rates. MacMillan Bloedel had an operating loss of $38.4 million in the third quarter of 1981.

The prediction is that lumber production will stay at current depressed levels until prices rise $30 per thousand board feet and until there is confidence that there will be some solid long-term business.

By the time the housing solution is finally found, however, a lot of United States lumber production will be lost. Long term, this means less production and control of production by fewer hands.

If interest rates drop dramatically and a decent part of the housing industry is rebuilt, lumber prices will double.

Interest rates

The key to healthy lumber, plywood and construction industries is low interest rates. Unfortunately, it is impossible to predict where interest rates will be in 1982.

Subsidized mortgages via passbook savings accounts are gone forever. The potential homeowner is competing for money with United States corporations and the Government.

If current interest rates hold, the housing industry will remain depressed. If interest rates ease, housing will pick up. It sounds basic and it is.

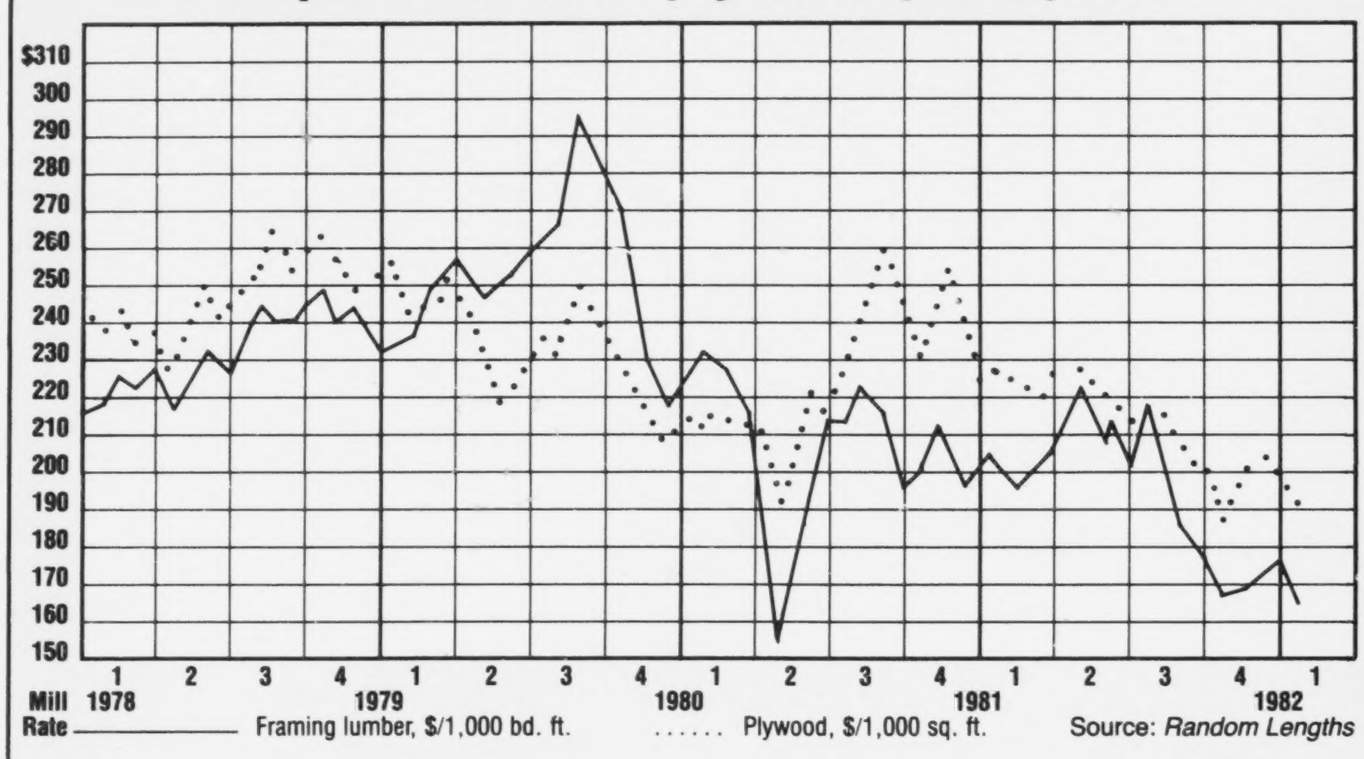
In summary, the risk of lower lumber prices is minimal. The mills can only bleed so much and many have bled to death.

The prospects for increasing lumber prices in the next few months look doubtful if Samuel Pierce, secretary of Housing and Urban Development, is right.

He states, "President Reagan's Economic Recovery Program will work, but high interest rates and inflation will continue for more months."

It appears then that lumber and plywood prices will remain at bargain levels.

Composite lumber/plywood price profile



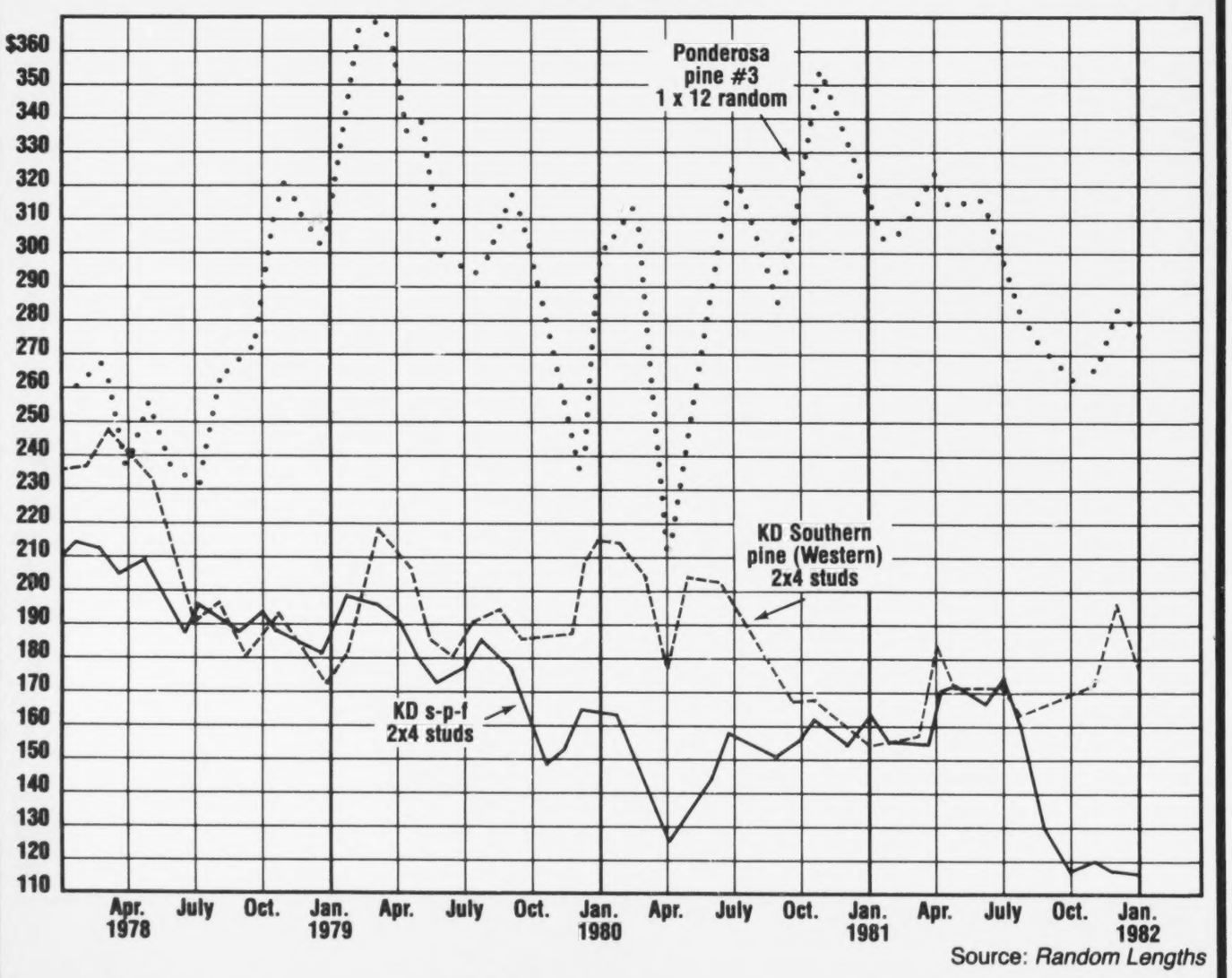
Source: *Random Lengths*

While prices rose slightly at year end, with the framing lumber composite price reaching $178 during December, January saw a quick decline—partly due to the weather—to near the cellar prices of last fall. January and early February prices hovered at below break-even levels, prompting many mills to wait on the sidelines until prices pick up again.

Plywood prices settled to an average of $192 per 1,000 board feet at the beginning of last month, slipping $10 to $12 from December. Prices are based on Random Lengths *weighted measure of seven key plywood items and nine key framing items.*

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Fall demand from a few large building jobs in the Southwest helped boost prices of KD Southern pine 2x4 studs to a high of $197 in early December, as demand for material in East Texas continued. By the end of December and during January, however, lower demand increased Western competition and combined with terrible weather to bring prices down sharply.

Mill prices for KD s-p-f 2x4 studs, meanwhile, were undercut by wholesale wood prices. Holiday closings at the mills were extended as prices dropped to an estimated average of $119 at year's end. Phone activity in January picked up, amid speculation that prices were beginning to interest some buyers, but buying levels changed only slightly. Ponderosa pine prices settled at $276 last month, following a six-month peak in December at $283.

Repair/remodel lumber use to rise 25% in 80's: study

NEW YORK—Lumber consumption in repair and remodeling is expected to grow by 25% during the 1980's to a total of 9.9 billion board feet annually, according to a report recently compiled by Merrill Lynch, Pierce, Fenner & Smith.

During the same period, 1978-79 to 1988-89, consumption of lumber for new residential construction will decline by 23%, the Merrill Lynch study, Forest Products Industry: Timber Demand and Supply During the 1980's, predicts.

Reindustrialization should boost nonresidential construction lumber use by 26% by the end of the decade.

Timber prices are expected to increase slowly during the 1980's because of availability, the report asserts, while the timber profits of forest products companies soar during the

(Continued on page 60)

FUTURES

Two weeks ended Feb. 5, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	149.80	140.10	144.20	148.80	3,138	247.50	140.10
May	154.60	145.20	149.90	154.00	3,480	220.30	145.20
July	165.40	156.10	161.40	164.10	996	224.50	156.10
Sept.	173.80	165.70	170.50	173.80	688	229.50	165.70
Nov.	174.20	167.50	171.80	173.00	676	244.50	167.50
Jan. '83	182.50	176.00	180.00	182.30	512	205.50	176.00
March	191.00	183.00	190.50	188.50	18	209.80	183.00

Total Contract Vol. (Through 2/5): 21,922 — **Previous Two Weeks: 26,212**
Total Open Interest (As of 2/4): 9,533 — **Previous Week: 9,573**
Cash Price: $126.42 — **Previous Week: $128.38** — **Year Ago: $155.82**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March	191.50	182.00	186.30	190.50	2,422	252.00	181.60
May	197.80	188.30	192.20	196.40	1,211	241.00	188.30
July	203.50	194.00	198.00	201.50	335	219.00	193.40
Sept.	208.50	200.00	203.00	207.00	387	224.50	197.50
Nov.	214.00	204.00	208.00	213.00	74	226.50	202.30
Jan. '83	218.60	210.30	212.70	216.40	68	215.00	210.30

Total Contract Vol. (Through 2/5): 3,905 — **Previous Two Weeks: 3,925**
Total Open Interest (As of 2/4): 4,497 — **Previous Week: 4,506**
Cash Price: $175.42 — **Previous Week: $176.36** — **Year Ago: $208.74**

COMMODITY RESEARCH BUREAU INDEX:	This Week 267.9	Previous Week 267.2	Year Ago 302.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Feb. 4.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Industry preps for Chicago show

(Continued from page 1)

vendors, checking out manufacturers, reviewing problems and seeing what else they have to offer us," according to Mannix. Anderson, who joined the staff in December, will be spending most of his time getting to know his new associates in the home center industry.

Scotty's product manager Ed Long will be attending the show along with "five or six" others from the 81-store Winter Haven, Fla.-based chain, including president/ceo Ray Cooney, vp-general sales manager Dennis Stults, operations coordinator Tom Leete and hardware buyer Morris Barton.

"We'll be looking for new merchandising techniques and new products," Long said. "I want to get some ideas for dump-bin items and displays." The Scotty's group will be at the show all four days.

Lowe's chairman Robert Strickland said his group of 12 will be busy "doing the same thing as in 1981," including looking for new trends, new products and new ideas "that will eventually help us run our stores better in 1982."

Also attending from the 224-store North Wilkesboro, N.C., chain will be Ross Burgess, vp-merchandising, Dick Griffin, vp-retail sales, all four merchandising vice presidents, about half a dozen merchandise managers, and top salespeople. The Lowe's people will be on hand for the full length of the show.

Central Hardware, St. Louis, will send a seven-person contingent to Chicago, according to merchandise manager Steve East.

"We'll be looking for extra deals and programs from our vendors and new ideas," East said. The Central group will pay particular attention to the bath displays, plumbing and electricals.

Others in the Central group include vice chairman Gene Howenstein, assistant merchandise manager Larry Tyler and buyers Charlie Mull, Victor Luechtefeld and Harvey Soule.

The Payless Cashways contingent from Kansas City, Mo., will number from "10 to 12," according to John Breedlove. "We'll be looking at everything, especially items we don't presently carry, new products and updates of our existing lines," he said.

In the Payless group will be chairman Stanley Covey, president David Stanley, executive vp Harlon Seats, three regional vps, the heads of the purchasing and marketing departments, some buyers and Breedlove.

"This is the one show we concentrate most on," Breedlove explained. "The Home Builders Show used to be the big one for us, but now we send only one person there."

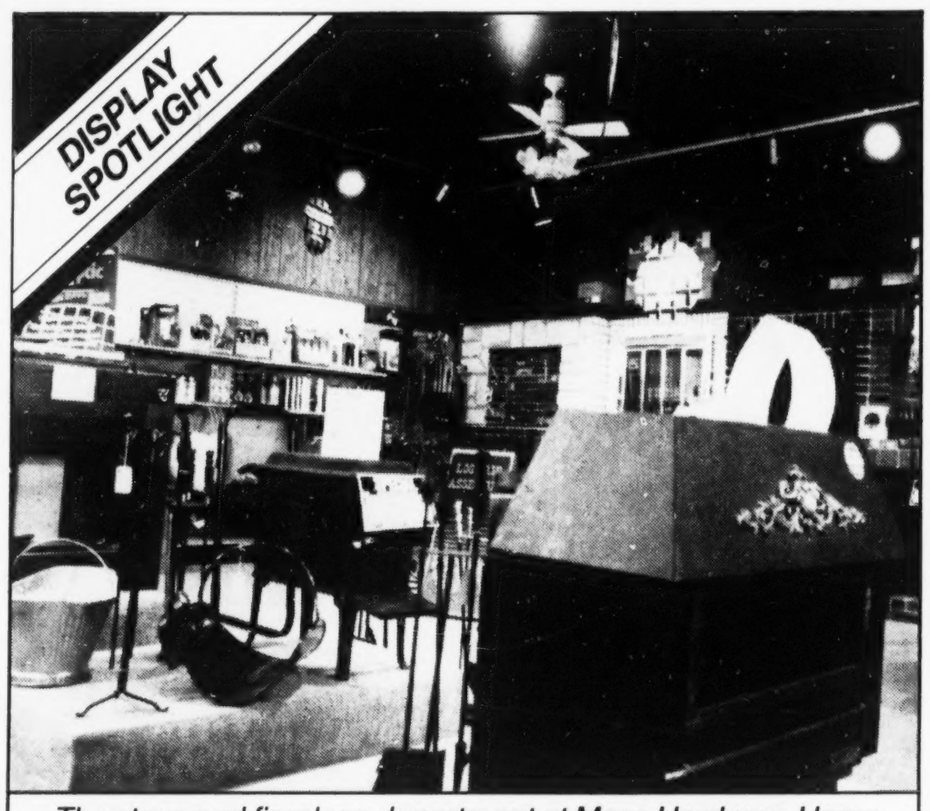
David Stanley will be spending two days at the show "reestablishing connections and meeting with the top people in the industry," he said. "I won't be concerning myself with sales."

Busy Beaver, Pittsburgh, is sending its entire buying staff of six to the show, vp-merchandising George Bauer, two merchandising managers and vp-marketing Tom Herward. The group will be led by president Jack Fagen, who will spend two days at the show.

"We'll be looking at new products and trying to solve some problems," said Herward. "Everyone has different objectives. We're making our plans now, setting our priorities so we can get the most from the show."

Forest City merchandise manager Tom Gritz said the 21-store Cleveland-based chain will send a group of 12, led by president Ed Seymour and including marketing vice president Steve Burkowski, all buyers and all merchandise managers.

"We'll be more aggressive in seeking out new products, specials, closeouts and trying to arrange for co-op advertising with our suppliers," Gritz said.



The stove and fireplace department at Mass Hardware Home Center, Waltham, Mass., is also used to display a ceiling fan and track lighting. NHCN photo

ITC: Imported knockoffs threaten U.S. stove biz

WASHINGTON—Foreign-made counterfeits of hot-selling wood-burning stoves are being channeled into this country at a rate that threatens to destroy United States wood stove manufacturers, officials at the International Trade Commission charged.

Maintaining that the imported knock-offs could "substantially injure the efficiently and economically operated air-tight cast-iron stove industry" in this country, the I.T.C. launched a broad new investigation of suspected unfair methods of competition by the foreigners.

Specifically, the commission is looking into industry charges that foreign competitors are using false advertising to deceive consumers as part of a massive campaign pass off copycat reproductions of United States brands.

Since the imports are "virtually identical copies" of American-made stoves, the foreign manufacturers may be infringing on the common law trademark protection of United States firms, I.T.C. investigators said. That was the court ruling in the recent Vermont Castings vs. Franklin Cast case.

The commission's staff has been directed to complete its preliminary probe by April 20, at which time I.T.C. may consider further action.

In a separate development affecting other home center supply sources, the International Trade Administration directed Federal Customs officials to block further distribution of fireplace wire mesh screen panels imported from Taiwan.

That action was triggered by a complaint from Pennsylvania-based International Management Service Assoc. charging that the foreign-made screens are being imported into this country for sale below their "fair market value."

An I.T.C. investigation confirmed that at least one Taiwan supplier—Yeh Seng Wire Mesh & Screen—was indeed distributing its fireplace mesh panels to United States retailers at prices ranging from less than 2% to more than 44% below fair market levels.

I.T.C. directed customs agents to begin immediately assessing special new "dumping duties" of 2.31% of the f.o.b. value of all such merchandise entering the country.

A second Taiwan manufacturer—Fuan Da Industrial—was found not to be engaged in such dumping activities, but officials at the agency said a more detailed investigation of that company's pricing practices was still under way.

A final determination is expected to be issued by the beginning of April.

Fastener sales to hit $14.5B by '95

CLEVELAND—By 1995, United States sales of fasteners are projected to increase by 237.2%, from $4.3 billion in 1980 to $14.5 billion, with imports accounting for less than 15% of that total.

A growth market analysis by the research firm Predicasts concluded that domestic producers would continue to retain virtually the entire specialty (nonstandard) fastener market segment, estimated to be $4.7 billion, or 33% of the total market volume in 1995.

However, importers will have a greater impact on the standard fastener market segment, which has higher production and sales volume levels.

Predicasts projected imports to grab 21% of this segment, which is estimated to hit $9.9 billion by 1995. The imported fasteners' major advantage was seen as low prices as a result of lower material and labor costs, duty differentials and foreign government price support programs.

Of the over 1,400 fastener producers, Japan continues to be the leading exporter, with 50% of its products shipped to the United States, 20% produced solely for American consumption.

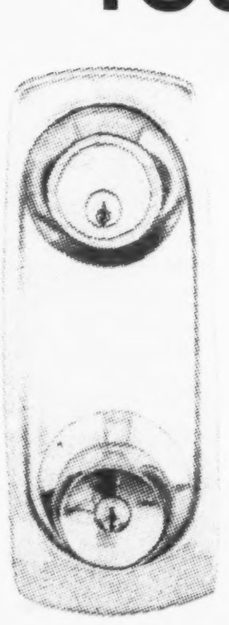
U.S. fastener sales

ITEM	1980	1995	Annual growth
Standard fasteners (mil.)	$2,854.3	$9,885	8.6%
% Imports	18.2	21.4	
Imported standard fasteners (mil.)	$519.8	$2,120	9.8%
Special fasteners (mil.)	$1,375.6	$4,655	8.5%
% Imports	0.7	0.3	
Imported special fasteners (mil.)	$10.4	$15	2.5%
Total fastener sales (mil.)	$4,229.9	$14,540	8.6%
% Imports	12.5	14.7	
Imported fasteners (mil.)	$530.2	$2,135	9.7%

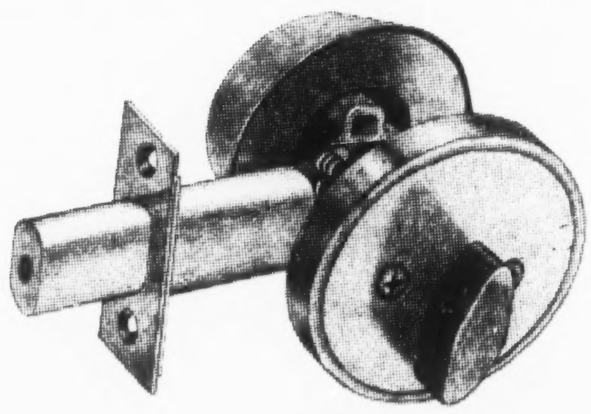
Source: Predicasts Research Group, Cleveland NHCN chart

Moss Manufacturing, Inc.

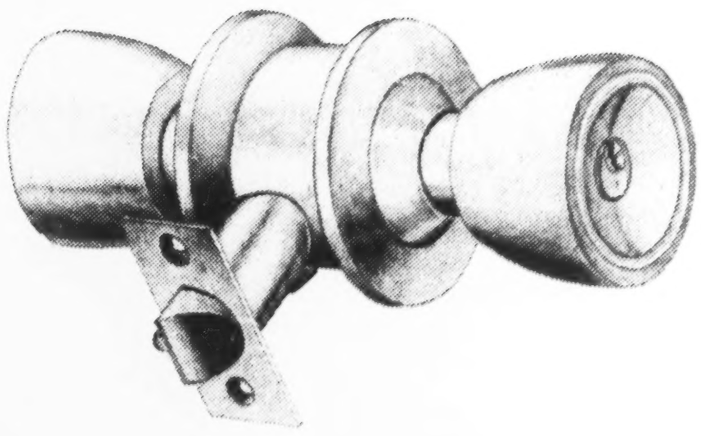
YOUR SECURITY HEADQUARTERS



Combination Entrance Lockset



Security Deadbolts



Cylindrical Entrance Locks

Moss Manufacturing, Inc.
7600 N.W. 69th Ave., Miami, FL 33166
Phone: (305) 883-0025
Telex: 808273 WORLD MOSS MIA

Abramson

(Continued from page 3)

Guys complex. Both units will measure 45,000 sq. ft.

Lieberman, 53, has been with the company since 1963 and was formerly chairman of the Pathmark division. He replaces Herbert Brody, 67, who has been elected chief executive officer.

Abramson, 64, has been with the company since 1966, and headed the Rickel operation as chairman from 1973 to 1977, when Peskin took over as president.

In addition to his new appointment, Abramson will continue to serve as an executive vice president of Supermarkets General and group executive for the company's general merchandise divisions. These include the Rickel operations and two department store chains—Howland-Steinbach and Hochschild, Kohn, with a total of 38 stores.

The company's volume for fiscal 1981, ended Jan. 30, 1982 neared the $3 billion mark, with 87% derived from its 117 Pathmark stores.

Special show section: pp. 21-107

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National Home Center News®

Vol. 8, No. 6 • The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. • March 15, 1982
$7 per year $2 per copy

Evans to double DIY after merger with Sharon Steel

NEW YORK—Evans Products, which operates the nation's second largest home center group, will double its DIY division within five years, after a planned merger with Sharon Steel, according to Victor Posner, Sharon chairman, president and ceo.

His comments were made in a telephone interview with *NHCN* soon after the agreement between the two companies was announced on Feb. 19.

Posner explained that the method for this expansion will be up to Evans' chairman Monford Orloff.

Orloff said that Posner's expansion prediction was good to hear, but too optimistic. He indicated that Evans' retail growth over the next five years would probably mean increasing its size from the present 350 units to between 500 and 550.

"I admire that approach," Orloff said of Posner's view, "but I wouldn't be quite that bold."

The Evans growth plan—entering Washington and Oregon and filling in existing markets, particularly Texas—does not rely on Sharon Steel capital, according to Orloff.

"We are prepared to expand through our own internally generated cash flow," he said.

Evans retail, which reported sales of $756.2 million last year, operates home centers nationally under the Alamo, Grossman's, Hubbard & Johnson, Lindsley and Moores logos. The entire company, including its transportation division had 1981 sales of $1.5 billion.

The advantage to being part of Sharon Steel, which reported 1981 sales of $775.7 million, slightly more than Evans retail, is not that apparent, Orloff noted.

Sharon is a subsidiary of NVF, of which Posner is also chairman, president and ceo. NVF, which produces, among other products, laminated plastics, reported revenue of $885.9 million in 1981.

"Instead of being part of a $1.5 billion company, we'll be part of $2.5 billion to $3 billion company," Orloff said. "I don't know what precise benefit that could be."

Industry observer Reb Forte, an analyst with Montgomery Securities, San Francisco, agreed that the deal probably would not bring significant changes for Evans retail.

"The Posner style isn't to come in and do a heck of a lot," he said. "He saw good value at a good price. The business has always been run by Mike Grossman. I expect that will continue."

Grossman, president of Evans Retail Group, was not available for comment. Everett Grossman, executive vice president of Evans retail said:

"We're very optimistic about the whole thing. We have a strong retail group. If anything, it will be better than before. We're part of a bigger company with greater assets."

The merger could mean eventual changes in Evans management, however, Forte speculated.

"Visualize it: Posner in Miami; Orloff in Portland, Ore., and Grossman in Massachusetts. It doesn't make sense to have a layer between Posner

(Continued on page 122)

Ex-Grace execs to debut two Hal's DIY units in May

By Greg Puchalski
NHCN senior editor

MILWAUKEE—A group of former W. R. Grace executives, who played significant roles in getting the conglomerate into the home center business, will kick off a new DIY venture of their own here in May.

The Slater family, founders of Channel Home Centers; Mary Kodis, a co-founder with Georges Hanzi of the Handy Dan and Handy City chains, and another anonymous Grace alumnus have invested in what will be a four-unit chain called Hal's, an acronym for "hardware and lumber stores."

The first two units are scheduled to open in May in space leased from Target discount stores. At presstime, approval from the local planning board was still pending for these units, which will have 29,000 sq. ft. of floor space and another 7,000 sq. ft. of roofed and fenced-in outdoor space.

Company officials have not announced a timetable for the opening of the other two stores.

Kodis will return to the home center spotlight as president of Hal's. She was with Handy City when Grace acquired the chain in 1976.

Two other top executives of the chain also worked for Grace-owned chains at one time and are also investors in the company.

Craig Rastello worked at Handy City before becoming a

(Continued on page 121)

An estimated 23,000 people are expected to attend this year's Home Center Show at Chicago's McCormick Place. NHCN photo

This year's show-goers will be tough customers

CHICAGO—As this year's Home Center Show opens, manufacturers may find their retail customers a lot tougher to sell than usual.

Home center executives are not only cutting back inventories to counteract the high cost of carrying excess stock, but also have been trimming their chain's sku assortment—by as much as 50% in one chain—to bring their open-to-buy formulas into sync.

Consequently, retailers walking the show report they will concentrate on high-turning "basic" products and could lend a deaf ear to manufacturers' claims about the advantages of taking on full-range merchandise programs.

This has been the case at one large California chain that has restricted its store managers to buying only those products which have

(Continued on page 122)

NEWSBREAKS

Z-BRICK SUIT. Distributor John Dittmar & Sons' $4.4 million suit against Z-Brick manufacturer VMC Corp. has come to trial. In initial testimony, Dittmar reported suffering serious losses after VMC cut off the distributor's supplies of Z-Brick. Dittmar claims VMC wanted to punish it for placing an order for a competitive product; VMC maintains Dittmar's poor performance was the reason. The trial is expected to last several weeks.

SECOND INNER-HARBOR UNIT. Baltimore independent Inner Harbor Lumber and Hardware recently opened its second unit. The $3 million operation, which aims at city DIYers, opened the 28,500-sq.-ft. unit in a former warehouse on the north side of Baltimore, about four miles from the original, waterfront, store.

'Five per cent of our pretax profit is given to charity. We're getting a record number of requests to do more. I don't think we can.'
John W. Hechinger president, Hechinger

Charity begins in the home center

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—When Hudie Fleming graduated from Springarn High School in northeast Washington (D.C.), in 1959, the yearbook noted that his career goal was to manage a business.

Today he runs the Hechinger Mall store that opened about a year ago in the inner city, near his old school. The store has set up special programs for Springarn students as part of an Adopt-a-School effort sponsored by the Washington business community to help local youth develop job skills.

Other Hechinger stores have also adopted schools. That social involvement is not surprising from a company that donates 5% of its pretax earnings—$15.7 million last year—to charity.

While the 33-unit chain may be exceptional in the size of its commitment, it is not unique in the home center industry, where many companies regularly contribute money as well as employee time and products to a variety of causes.

With $127 billion in Administration budget cuts affecting the arts, education and social programs this year, it is likely that business will be asked to donate even more. Total contributions by individuals, foundations and corporations, which are expected to reach $52 billion in 1982, according to the American Assn. of Fund Raising, will not be enough to compensate for the reductions.

"We're getting a record number of requests to do more," said John Hechinger, president of the Landover, Md., firm. "I don't think we can do a lot more."

The requests come at a time when the home center industry is suffering from the effects of high inflation and the housing recession.

"Since the Reagan program is in effect, we would like to increase our contributions and, in fact, did take care of inflation with our United Way pledge," said Gerald Parsons, vice president for corporate relations at Evans Products, the second-largest home center operator in DIY volume with $614 million in sales last year.

"However, with business as it is," he added, "we're unable to increase our contributions substantially."

"We've always sold merchandise at cost to nonprofit organizations and made a corporate gift to United Way," said Pat Behan, vice president of Hill-Behan, the 33-store St. Louis

(Continued on page 122)

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Wickes agrees to cover debts by selling some non-DIY assets

SAN DIEGO—Wickes Cos. formally agreed with short-term lenders to sell certain assets and subsidiaries to raise cash to pay off debts. Company officials, however, indicated their home improvement divisions are not currently slated to be sold.

The company earlier had said it was seeking a $580 million credit agreement with approximately 40 banks that would set certain financial restrictions on the chain and require it to proceed with long-anticipated divestitures (*NHCN*, Jan. 18).

Wickes has been losing money and its short-term debt has almost doubled in recent months.

While Wickes' officials declined to disclose their debt reduction schedule, they denied that the company is in financial jeopardy, noting that Wickes is up to date on all interest payments and has not defaulted on any loans. They said the credit agreement, in effect, was a vote of confidence by the consortium of bank lenders. Security Pacific National Bank is acting as agent for the consortium.

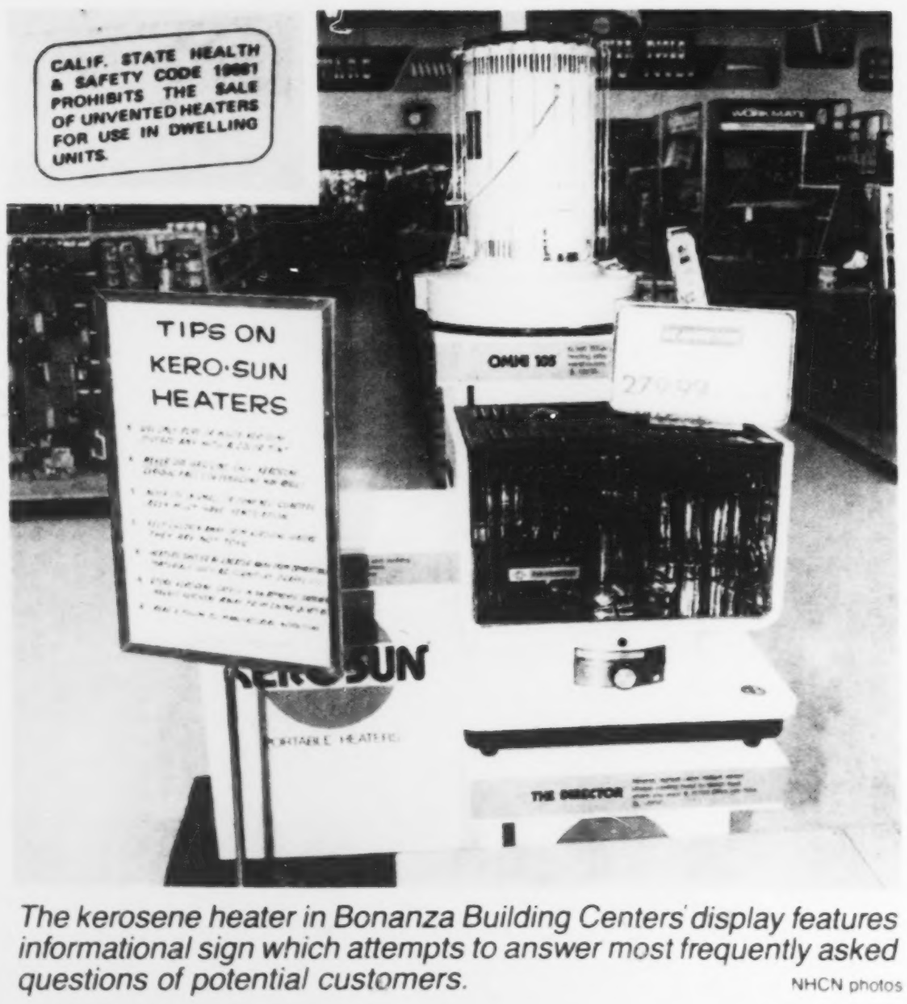
Nevertheless, one analyst who follows Wickes, John Tilson of E. F. Hutton's Los Angeles office, said Wickes "will have to raise $150 million to $200 million in cash to pay off its short-term debt"—a difficult proposition in these economic times.

Wickes' short-term debt on total business operations for the nine months ended Oct. 31 was $416 million, compared with $215 million for the comparable year-earlier period.

Since Wickes acquired Gamble-Skogmo in 1980, the company has divested some operations, and February's agreement between Wickes and its lenders is likely to speed up further sales.

The company said it is not considering selling off its 277-unit, $800 million Wickes Lumber division headquartered in Saginaw, Mich., or its 62-unit, $130 million Builders Emporium, the Irvine, Calif.-headquartered 100% consumer chain.

(Continued on page 122)


CALIF. STATE HEALTH & SAFETY CODE 19881 PROHIBITS THE SALE OF UNVENTED HEATERS FOR USE IN DWELLING UNITS.
TIPS ON KERO-SUN HEATERS

The kerosene heater in Bonanza Building Centers' display features informational sign which attempts to answer most frequently asked questions of potential customers. NHCN photos

Planned regs would raise minimum white-collar pay

WASHINGTON—Labor Department wage and hour officials are drawing up new Federal regulations setting sharply higher minimum salary requirements for many assistant store managers and other supervisory workers in the home center industry.

Although details of the new Reagan Administration plan were still under wraps at presstime, indications are the regulatory changes will include:

- a stiff increase in the current $155 weekly salary minimum that employers must pay to low-wage supervisory workers who are exempt from Federal overtime pay requirements;
- a partial rollback of that pay hike for employees of home center outlets and other retail stores, and
- a significant liberalization of present Federal rules for determining which workers may qualify for an exemption from the Fair Labor Standards Act (F.L.S.A.).

Current F.L.S.A. regulations require that workers receive premium wages (time and a half) for all hours worked in excess of 40 per week, unless they perform certain Federally set supervisory duties and are paid a weekly salary of at least $155.

(Continued on page 117)

3-part marketing plan used

Kerosene heaters hot at Bonanza

SAN JOSE, Calif.—When Steve Elliott made the decision to add kerosene heaters to the product line of four-store Bonanza Building Centers in 1980, the merchandising manager knew he would face a good deal of consumer apprehension because of California's restrictive fire code.

But a three-pronged marketing strategy devised by Elliott and his Bonanza associates to alleviate that apprehension resulted in the sale of 900 heaters that first 1980-81 season and 1,000 during 1981-82. Elliott (who is leaving Bonanza this month to join Hughes Lumber, Tulsa, Okla., as director of marketing) expects that figure to double during 1982-83, when the chain will have six stores on line. (*NHCN*, Feb. 15).

Bonanza's strategy was to go with a "big name" in the field, do a great deal of advertising and provide consumer education. The chain decided to carry the Kero-Sun line.

The company was pleased with kerosene heater sales that first season, but the trouble started last October when, according to Elliott, local fire department inspectors visited Bonanza stores and informed employees they were in violation of the state fire code by selling the heaters "for residential use."

"We told the inspectors we did not encourage our customers to use them in their homes," he said, "but we have no control over how they use the heaters once they leave the store."

Bonanza also had to deal with antikerosene heater publicity, including newspaper articles and warnings on local television programs.

The company responded by removing any suggestion of home use of the heaters from their advertising, cutting back on newspaper ads from every four to every six weeks and "burying" the heaters deep inside their electrical departments.

"Sales were off considerably during that period of harassment," Elliott said, adding that the company decided to "keep a low profile" on the products.

The situation didn't ease until late December, when an amendment to the code was proposed and passed by the state assembly permitting U.L. listed heaters to be used in dwellings. Approval by the State Senate and Governor Brown is expected soon, ac-

(Continued on page 117)

Jan. starts, permits gain for 3rd month

WASHINGTON—Single-family housing starts and newly issued homebuilding permits were up in January for the third consecutive month, on a seasonally adjusted annual basis. Mortgage rates, meanwhile, declined for the third time over the same period.

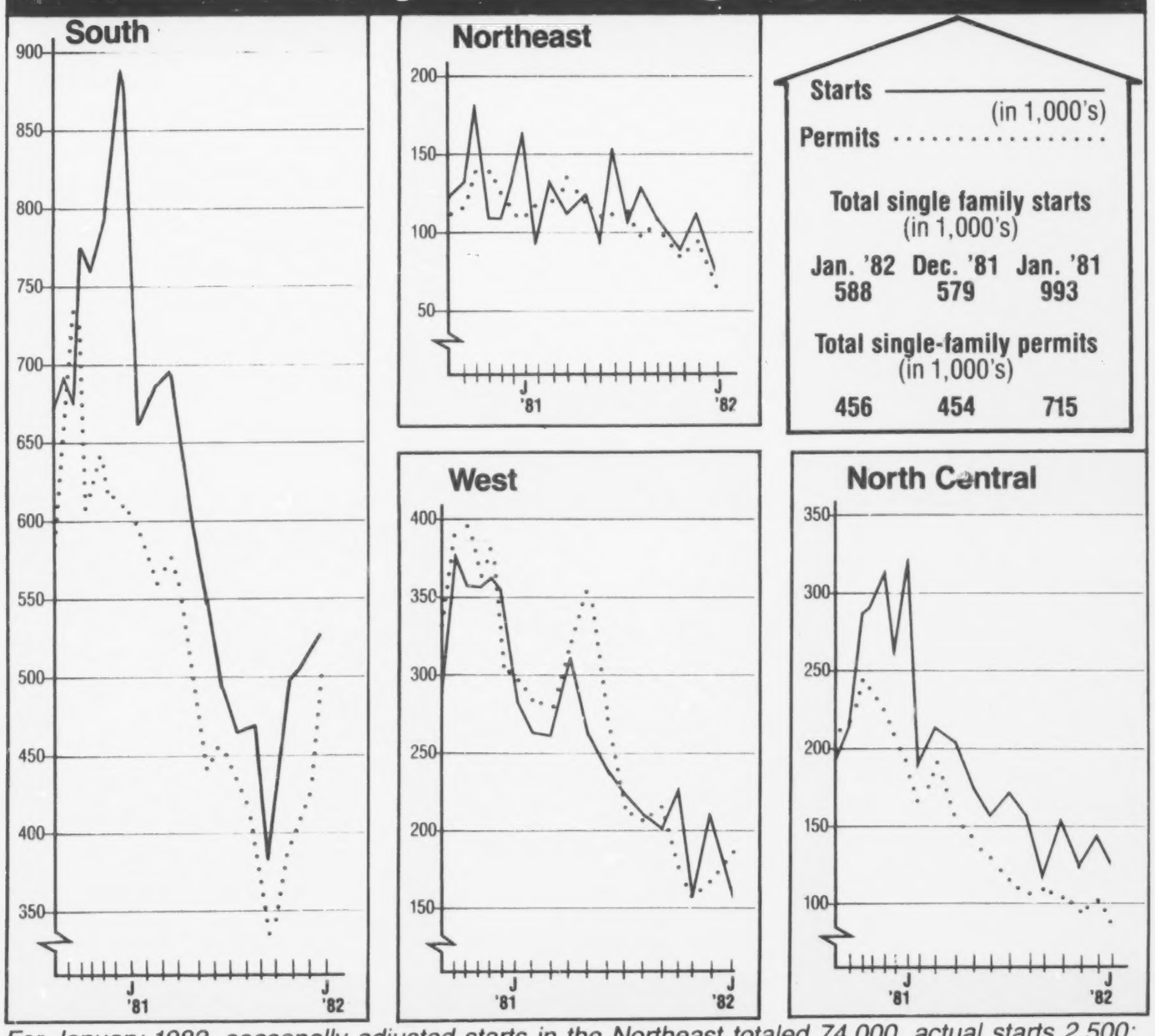
Single-family housing starts rose 5.2% from December, reaching a seasonally adjusted total of 588,000. Permits for total housing rose to a seasonally adjusted rate of 836,000, a 6% hike from the prior month, according to the Commerce Department.

Between early December and early January the average mortgage interest charged by major lenders dipped to 17.33%, from 17.51% a month earlier and 18.16% in October, according to the Federal Home Loan Bank Board.

Total seasonally adjusted housing starts in January were off 0.6% from December and numbered 894,000. Actual starts numbered 47,500, off 21.1% from the prior month.

On a regional basis, the South remained in the strongest position with seasonally adjusted starts of 531,000.

January housing update



For January 1982, seasonally adjusted starts in the Northeast totaled 74,000, actual starts 2,500; North Central, 129,000, 3,300; South 531,000, 31,900; West 160,000, 9,700.

INSIDE

WICKES raises cash to pay off debts, p. 2. . . . **HOME CENTER** ad directors are focusing more on newspapers, p. 3. . . . **PLYWOOD RANCH** has increased female traffic, p. 4. . . . **REAGAN'S POLICIES** are doing little good for housing, p. 11. . . . **STATE COURTS** disagree about bad checks, p. 12. . . . **HOME CENTER PERSPECTIVES '82,** a special Home Center Show section, features profiles and operation stories, as well as the show schedule (p. 23), a regional rundown on the effects of the New Federalism on state budgets (pp. 88-99), and a state-by-state summary of current blue laws (pp. 100-107), pp. 21-107.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 6 March 15, 1982

Show Special

HOME CENTER Perspectives '82

SECTION TWO

Chicago dealers optimistic despite fierce competition

CHICAGO—Local home center officials continue to grapple with the harsh realities that beset this city, although they claim the future here looks bright.

These executives almost uniformly concur that Chicago's place as a strong and highly competitive home improvement market remains secure, and they all look forward to growth in their companies once there is a break in the current recession (*NHCN*, Jan. 4).

However, this recession seems to have plagued Chicago longer than most cities, and all retailers have felt the brunt of protracted high unemployment, which has resulted in only a 4.5% increase in overall retail sales in 1981, following an even slimmer 1.5% gain the previous year.

In addition, competition in the Windy City has become so fierce that home centers have found themselves in a dogfight with discount and department stores, as well as specialty chains, for shrinking disposable consumer income.

"Chicago as a market has unlimited potential, but still there's plenty of competition," said Ron Rashkow, president of the 11-unit Handy Andy chain in suburban Gurnee, Ill. Among the names of nonhome center companies trying to carve out some DIY business for themselves, Rashkow listed Sears, Ward, Osco, Walgreen, Venture, Zayre, K mart and specialty stores like Naked Furniture, Saxon Paints and Color Tile.

Nevertheless, he added that this was also the first time he could remember a recession that affected Chicago "where it is noticeable. We're suffering like most other cities, and maybe even more so." He cited the recent closing of such local mass merchandising chains as Goldblatt's, May's and Belscot as indicative of the economic straits Chicago is in. "One day in November, the newspaper had five going-out-of-business ads."

In light of this situation, home centers in the market have found the need for drastic cost cutting—in the form of reduced inventories for some, layoffs for others—and, perhaps more significantly, paying stricter attention to the very different needs of the various ethnic communities that make up the city and suburbs.

"Chicago can't be looked at as an entire city, but as many different small communities, most of which rarely communicate with each other," said Jim Gee, president of the 11-unit Gee Lumber, whose chain has grown over the years through acquisition of independent stores already firmly established in a particular neighborhood. He does not want to upset the "feeling of sameness" he sees these customers wanting to preserve in their towns.

None of the chain's stores—which includes an old opera house, one that resembles an airplane hangar and one with colonial-style architecture—looks the same, and Gee has intentionally veered from some of the "slickness" he sees in some of his competitors' units.

For instance, the chain no longer uses sophisticated signage, preferring instead to

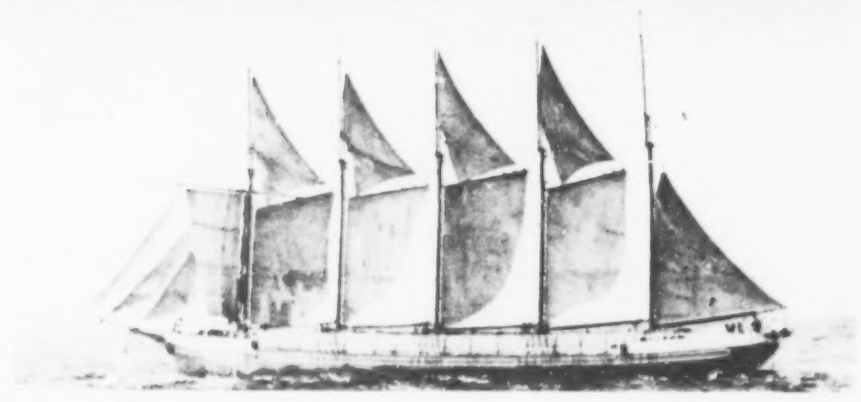
(Continued on page 42)

Inside

Eagle owner shares the reins

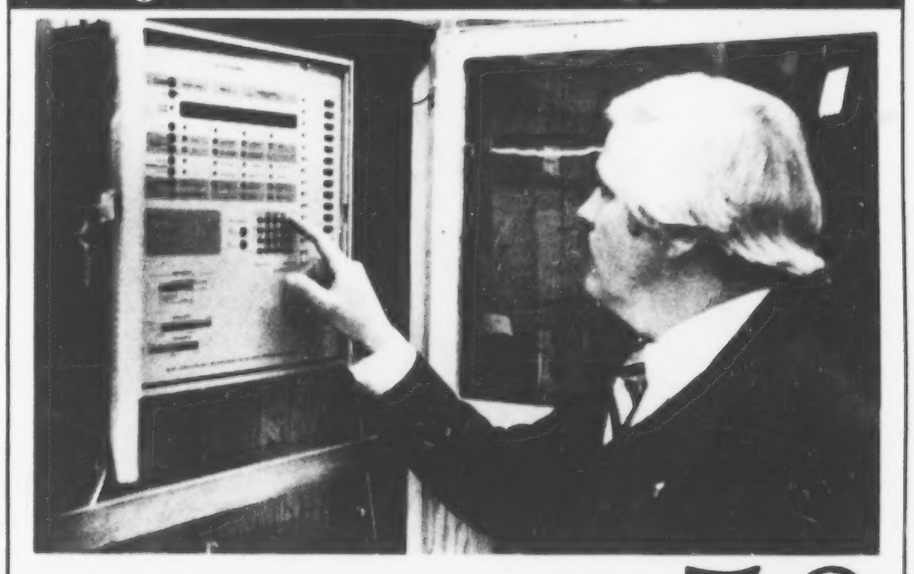
Giving employees direct responsibility for the bottom line has allowed Eagle Lumber president Cathi Eagle to boost sales and spirit at her four-store home center operation. **40**

Home center Hawaiian style



Honolulu's City Mill abandoned its five-masted sailing ship for ocean-going barges long ago to get its supply of lumber, but deliveries to the islands can still require four-month lead times. **54**

Gee gets handle on energy costs



Brian Anderson figures Gee Lumber will recoup the cost of its new $32,000 energy control system in only seven months. Plans are under way to install the computerized system in all 12 Gee outlets. **56**

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Canadian market matures

DIY becomes economic necessity

By John Caulfield
NHCN field editor

TORONTO—The Canadian home center market, which in the past simply mirrored the marketing and merchandising techniques of its bigger United States brother, is starting to take on characteristics of its own.

Unique socio-economic problems confronting this country of 22 million—including a serious lack of skilled laborers, an onerous combination of high inflation and unemployment, a projected 13% drop in housing starts this year, and a decided fragmentation in the retail sector—have led home center executives to seek new solutions to maintaining their profitability.

Canada's economy plays as big a part in the way these officials do business as anything. Inflation rose to an annual 12.5% rate in 1981 and actual unemployment jumped to 9.5% in January. In addition, the country's Housing and Urban Development Assn. predicted in February that housing starts would fall 13% in 1982 to 155,000 (as compared to 279,000 in 1976) with interest rates lurking in the 17.5%-18.7% range.

In the United States, the drop-off of new home construction has made the cost of labor for home repair relatively cheap. In Canada, just the opposite has happened.

Labor rates have gone through the roof, rising as much as 150% over 1971 charges, mainly because there has been a pronounced drop in training people to become skilled workers. Reportedly, workers from Australia and England have been "imported" to bolster Canada's sagging labor force.

These factors have forced consumers to recognize DIY repair as an economic necessity. However, just what constitutes a home center in their minds, and where they shop for specific products, has caused some retailers to rethink their companies' market profile.

"We've had to rearrange our stores to suit the perception consumers have of our company," said Andy Sibbald, vice president-home centers for Beaver Lumber. "So we're reintroducing depth in our lumber and building materials departments, because that's where we feel our strength and dominance lies."

The background

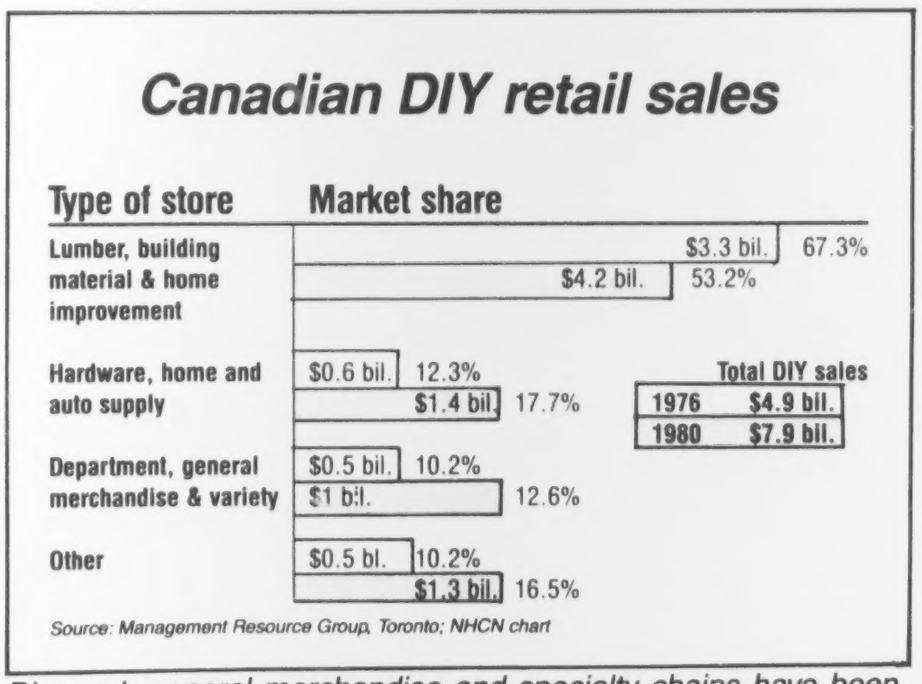
Indeed, according to a recent report from the Toronto-based Management Resources Group, the growth of the home improvement market—which it estimates reached $6.2 billion in sales in 1980—will come from a variety of merchants:

Discounters (K mart reportedly did $150-$200 million in DIY sales in Canada last year); major lumber and building material chains (Beaver, Crown Zellerbach, Revelstoke, Cashway Building Centers and Lansing Buildall), and specialty outlets (the 90-unit St. Clair paint stores, Color Your World, and Plumbing Mart).

Other competitive pressures will come from the co-ops, which sold an estimated $125 million in lumber and building materials in 1981, with the two largest—Federated and United—having overall combined volume of over $1 billion; and buying groups like Home (with 1,000 members), Pro (whose Howden division services Beaver), Dominion, Dismat and Allont (which services Lansing). The first three account for 45% of the 6,000 hardware

(Continued on page 84)

Canadian DIY retail sales



Source: Management Resource Group, Toronto; NHCN chart

Discount, general merchandise and specialty chains have been slowly draining market share of home improvement sales from Canadian lumber and building materials dealers over the past five years. These figures include sales to contractors.

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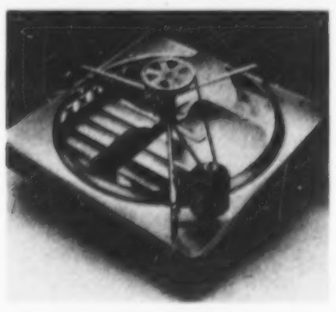

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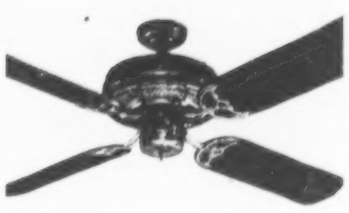

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Home center perspectives '82

Single-category strength is Canadian dealers' aim

TORONTO—Home center retailers here, faced with stiff competition from a wider range of discounters, mass merchants and specialty chains, are looking to develop identifiable strengths in particular product categories as a means of attracting a greater share of the consumer market.

Their reactions to competitive pressures from a variety of retail segments, and the transitional steps these home centers have taken, serve to emphasize the general expansion of the DIY concept throughout Canada.

For instance, the 355-unit Canadian Tire started adding building materials departments to 13 of its units 10 months ago. At its 50,000-sq.-ft. Yonge Street store in Toronto, about 8,000 sq. ft. is devoted to this department. According to store general manager Steve Quinn, this expansion had a singular purpose.

"Building materials are a very low gross product line, but we added the department to increase our hard lines sales, which have jumped 80%-90% in a year. Already we've added 4,000 sq. ft. extra to our overall hardware department."

However Canadian Tire still likes to promote itself as a hard lines "supermarket." About half the store still merchandises housewares, automotive, toys and other department store fare. Unlike United States home center and hardware stores, the vast majority of saleshelp on Canadian Tire's floor is female.

At Beaver Lumber's 39,000-sq.-ft. unit a few blocks from the Canadian Tire unit, the image being portrayed is heavily lumber and building materials oriented. "We're 99.9% DIY, although that doesn't always extend to our hard line products, even though we carry as wide a selection as any of our competitors," said Andy Sibbald, Beaver's vice president/home centers.

He also lamented the lack of able saleshelp available, but insisted that customer service was one of the things that distinguished the chain from other surrounding retailers. Beaver's strengths, he said, lay in its wider range of price points (especially in lumber), its overall service (including installation), and the breadth of its merchandising.

The same claims were made by Sadru Juma, store manager for one of five Building Centres in the Toronto market. This unit, which did $3.2 million in 1981, generally has 16-18 people on the floor during the week, a figure that can double on the weekends, he said.

Juma also pointed to the stores free local delivery policy (with no minimum) and liberal return policy as inducements for customers.

However, while the store was extremely compact and well-

(Continued on page 114)

DIY becomes economic necessity

(Continued from page 21)

stores in Canada.

"The Canadian home improvement market differs from the United States in two ways," said Greg Erwin, national sales manager for Peerless Faucet, Bowmanville, Ontario, speaking from his booth at last month's Canadian Hardware Show. "One, the hardware buying groups are very powerful and, two, there isn't the proliferation of chains you see in the United States. There may be more national operations, but the industry here is considerably more compact."

Erwin added that this concentration of market has caused home center retailers to be "tighter in their line offerings. For instance, there are probably 25 faucet manufacturers in the United States, but only five in Canada, and if you're not selling two or three of the major groups, you're not in the business."

Grant Wood, vp-sales and marketing for Stanley Works, Ltd., Burlington, Ontario, noted that Canadian retailers, because of the situation Erwin mentions, are less prone to take risks in their businesses. However, the acceptance of the DIY concept is beginning to reach a wider variety of retail operations.

The Canadian market, in fact, is undergoing the second stage of its evolution, according to Tom Ross, executive director for the Canadian Retail Hardware Assn. "We're now attracting the 'reluctant' DIYer, who feels he has to do the job himself out of economic necessity."

Ross pointed to some similarities and differences in the Canadian market, vis-á-vis its American counterpart. For example, he claimed that retailers have been thus far unsuccessful in combining retail and contractor merchandising under one roof, which he sees as detrimental to overall growth in the industry.

Like the United States, smaller Canadian companies are being swallowed by the bigger chains. "There are several strong smaller chains in the United States that are doing very well, but it's going to be very tough over the next few years for these types of operations here to survive—the bigger chains and buying groups are too strong."

He also pointed to the dilemma retailers are facing in wanting to increase in-store customer service, but finding a lack of knowledgeable salespeople in the labor pool. Several manufacturers also saw this as a real problem to be overcome before there is serious expansion in DIY merchandising in this country.

"While Canadian consumers are, in a lot of ways, more sophisticated than Americans, they still need in-store service," said Cam Colville, director of product service for Black & Decker Canada, Brockville, Ontario. "But lumberyards, as far as I can see, care very little about providing this service."

Colville noted perhaps a more significant development in buying patterns among consumers, and one that again points to the increased fragmentation of the Canadian DIY market.

Colville also said B&D would prefer to deal with the buying groups because "by and large, home center buyers are not as good, and there is too much disorganization in the chains.

Now... Kerosene Heaters Have a Name!

Sunbeam

(See Page 55)

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Home center perspectives '82

How-to book trend spells profits for DIY units

NATIONAL REPORT—One-third of all DIY books that reach consumers this year will be sold through home centers and other building materials outlets, according to Bruce King, national account manager for Lane Publishing, which produces Sunset Books.

Many titles will sell more than 150,000 copies in 1982, he said, while sales of 50,000 earns best-seller status in the trade book field.

With gross profit margins of 40%, ROI's above 350% and average sales per square foot of $300, according to publishers and distributors, home centers are profiting from the how-to book trend.

More important than direct profits, however, are the product sales that books generate. For example, National Plan Service, a supplier, claims that a retailer's investment of $350 in how-to plans can result in more than $44,000 in material purchases. While major book publishers, suppliers and retailers can not document the actual effect books have on sales, they believe it is significant.

"We know from informal surveys that books have an influence," said Sally Courtney, general merchandise manager at Hechinger, Landover, Md. "I've had customers ask me in stores, while holding a book, 'See this picture, where can I find this?'"

Hechinger devotes 16 linear feet on an 8-ft. gondola to books, plus a 4-ft. area at the registers for magazines. Certain titles are also cross merchandised in appropriate departments.

The depth, which is typical of the Hechinger approach to merchandising, is also consistent with the view of Al Birnbaum, president of distributor Federal Marketing, that educated consumers spend more money.

In addition, books save the retailer overhead, Birnbaum claims.

"Books are taking the place of unqualified help or no help," he said.

However, with about 4,000 titles on the market, according to National Plan Service, and a tempting variety of benefits for the retailer, there is a danger, says Sunset's King, that a store can be overstocked.

"I personally feel retailers tie up unnecessary money in inventory," he said. "A home center will be dissatisfied with books in general if it tries to become a bookstore. That includes Sunset.

"We would advise most retailers to cherry pick with our advice," King continued. "A Wickes would have a different assortment than a Handy Dan or a Grossman's," for example.

While Hechinger carries a deep inventory of books, selection is regularly adjusted according to sales, Courtney said.

Busy Beaver, the 31-store, Pittsburgh-based chain, now merchandises books on a double-sided, 8-ft. rack and sells about 600 books per month.

According to buyer Tony Clark, that operation will soon begin tracking individual titles.

"Titles change with the seasons and are checked about every four to six weeks," said Rick Miller, of Hill-Behan Lumber, St. Louis.

Home centers that have merchandised books most effectively, according to King, include Angels/Phoenix and Lumberjack, where he said individual stores of the six-unit Sacramento chain sell 40 or more books per week.

Six-unit Home Depot has successfully used books as sale items, according to Birnbaum.

"The books were promoted in a circular," he said. "In six weeks the four Atlanta stores went through 1,600 Time-Life books."

The $10.95 volumes wre discounted to $8.21.

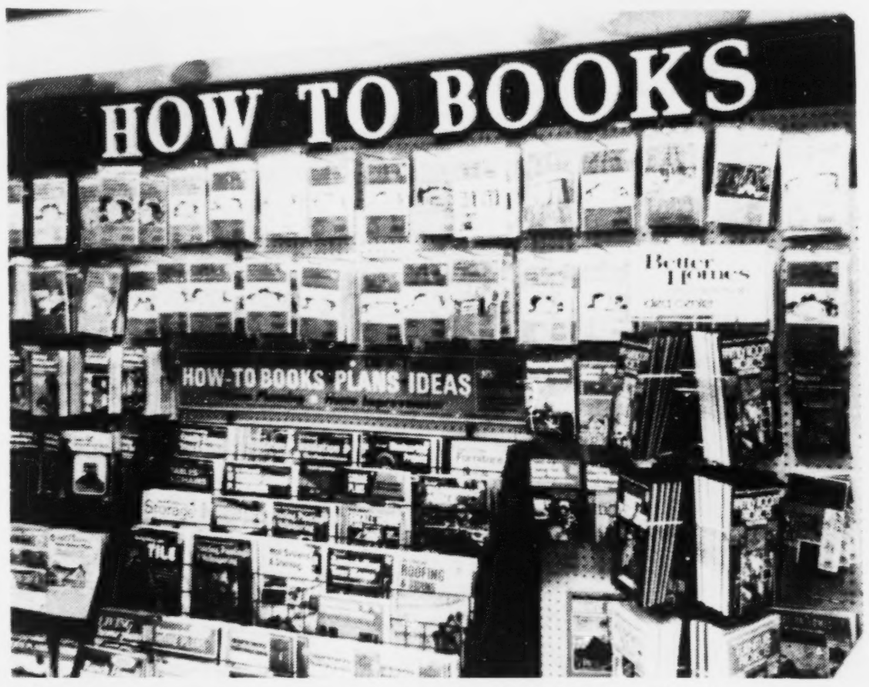
Of course, not all books sell well. Those that do tend to be hands-on oriented, said King.

"Almost the more basic the subject matter, the better the seller, as opposed to idea books," he said. "We also do well with books that focus on rooms."

Books on wiring, plumbing, kitchens, baths, decks and patios do well, said Birnbaum.

A woodstove title has been particularly strong recently, with 325,000 copies sold since publication in 1980. About 140,000 copies of a wall systems book have been sold since its publication last October. A new skylight title is scheduled for spring publication.

Titles that have been killed by poor sales include one about organizing bathroom shelves and another on seating systems, said Herb Zielke, a regional sales manager for National Plan Service.



Most home centers place how-to books in high traffic areas, often near the cash registers. This display is located near the lumber desk at Eagle & Son, Toms River, N.J. NHCN photo

Bestselling DIY books

Title	Date of publication	Total copies sold
Fireplaces	'72	1,485,000
Kitchens	'73	1,370,000
Patios & Decks	'76	1,240,000
Bathrooms	'70	1,120,000
Decks	'75	1,075,000
Book Shelves	'75	930,000
Solar Heating & Cooling	'79	550,000
Basic Home Wiring	'78	495,000
Hot Tubs	'79	420,000
Wood Stoves	'80	325,000

These are the current top 10 sellers in one series of DIY books.
Source: Lane Publishing, Menlo Park, Calif.

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Buying co-ops help smaller firms compete

By John Caulfield
NHCN field editor

NATIONAL REPORT—In 1981, retailer- and wholesaler-owned buying co-operatives reported aggregate sales in excess of $6.76 billion to over 22,500 dealers, 30%-40% of which were home centers.

While gigantic chains continue to dominate the home center industry, there are still many independents and smaller companies that stay competitive by linking themselves to the buying, merchandising and marketing programs offered by the co-ops.

These programs include in-store training of managers, private labeling of products, aggressive advertising strategies and, perhaps more important, a noticeable increase in emphasis on supplying retailers with the lumber and building materials necessary to place them more firmly in the DIY market.

However, every co-op is not the same. Dealers inevitably have a wide range to choose from to suit their particular market requirements, with each co-op offering varying programs, advertising deals, initial membership fees and costs to dealers for merchandise out of warehouse.

Co-operatives can be broken down into three separate and distinct categories: dealer-owned specializing in hardware; dealer-owned specializing in lumber and building materials, and wholesaler-owned serving as an intermediary between distributors and manufacturers.

The first group probably has the largest contingent of home centers in its fold, and its total membership is concentrated at the top: of the 20,619 members serviced by the 14 co-ops listed, 18,437 belong to either Cotter, Ace, HWI, American or Our Own.

These larger co-ops offer their members an average 30,500 sku's out of warehouses that carry $9.7 million in inventory in an average 368,924 sq. ft. Cotter and Ace have members in every state, with the other three servicing a more regional clientele.

Interestingly, HWI, Fort Wayne, Ind., appears to have made the greatest commitment to stocking lumber and building materials, with 50% of its $485 million 1981 sales coming from those products.

HWI is followed closely by the Butler, Pa.-based American (operating under the "Servistar" logo) with 25% of total sales coming from LBM. In addition, Ace, in Chicago, experienced an 18% increase in its lumber sales last year, coupled with a 50% increase in building materials, while over 1,000 of Cotter's 5,500 True Value members are now carrying these products, which are becoming a significant part of this group's merchandising offering. (Cotter and Ace began carrying LBM in 1979.)

Co-op services are structured differently from one group to another. Advertising arrangements between dealers and manufacturers for co-op money are one example.

The merchandising and marketing approaches offered by these co-ops are, by the admission of their respective managers, more similar than not, however, with each trying to position the retailer-member to get the highest return on products purchased.

However, one example of an innovative program recently came from Our Own, which lets its members establish retails for price tickets by selecting desired margins on every category of merchandise it stocks, with up to 1,000 individual items available for selection at specific margins.

The second tier of this first group is co-ops that typically fill in the gaps for members who already belong to the larger co-ops.

"We are regional and know the territory and the needs of our dealers better than some of the larger co-ops in the Midwest," said Hugh Laymon, general manager for Bay Cities Wholesale Hardware, Manteca, Calif. "That's why these dealers would sign on with us."

Belonging to one of the smaller co-ops can have a distinct advantage for the retailer's profitability. For instance, Houston's Handy Hardware Wholesalers (which has never officially filed for co-op status with the IRS), places 2% of total sales from each member into a fund that, when it reaches $2,000, is converted into preferred stock. "It costs the co-op nothing, and it allows the dealer to build up an equity with us," said president J. D. Tipton.

The second group of co-operatives handle the ordering, billing and shipment of lumber and building materials for their 880 collective members, charging them a monthly fee for these services based on the size of the member's purchase.

These co-ops have no ware-

(Continued on page 70)

Dealer-owned hardware co-ops

Company (Founded)	Sales (in millions) 1981 (1976)	Membership 1981 (1976)	No. of home center members (% of sales)	Membership fee	Lumber and building materials sales as % of total volume	Inventory (in millions) (sku count)	No. of warehouses (tot. sq. ft.)	No. of employees	Charge to retailer out of: (cost plus %) —warehouse —pool relay —drop ship	Advertising total (terms to dealers)	Rebate (% of warehouse sales) (1980)
Cotter & Co. Chicago (1948)	1,350 (725)	7,000 (5,700)	1,500 (30)	Dealer buys $1000 worth of stock and pays $300 acquisition fee	5 ($67.5 mil.)	$100 (25,000)	11 (4,585,000)	3,500	5-15 6 0-2	$53 mil. (co-op charges pay for national ads; dealers pay 1% of purchases for regional ads; tab circulars cost dealers from 84.90/1000 (16 pp.) to $170.90/1000 (60 pp.)	5
Ace Hardware Oak Brook, Ill. (1924)	694 (382)	4,200 (3,283)	1,386 (NA)	Dealer pays one-time $350 set-up fee and buys one share of class A stock ($1,000) and 40 shares of class C stock ($4,000)	4.1 ($12.4 mil. lumber $15.8 mil. BM)	$85-90 (33,500)	9 (3,128,636)	1,750	10 6 0-2	$15 mil. (dealers pay 0.8% on sales of first $250,000, but can arrange for own co-op money from manufacturers)	3.2
Hardware Wholesalers Inc. Fort Wayne, Ind. (1947)	485 (241)	2,500 (1,802)	1,500 (60)	Dealer buys 20 shares of voting stock for $1,000	50 ($242.5 mil.)	$42.5 (33,000)	4 (1,686,000)	604	doesn't have cost-plus charges, but builds a gross margin into the cost of the product, factoring in quantity bought	$8-10 mil. (tabs run from $35/1000 for 8 pp. to $130/100 for 24 pp.)	12.25
American Hardware Supply Butler, Pa. (1910)	401.5 (227.6)	3,737 (3,015)	1,300 (40)	Dealer pays $800 initial fee	25 ($100.2 mil.)	$48 (27,000)	5 (1,668,400)	826	5-15 (est.) 10 0-3	$6.8 mil.	8 (profits are distributed as cash rebate and preferred stock on dealer purchases)
Our Own Hardware Burnsville, Minn. (1913)	100 (68)	1,000 (550)	300 (34)	Dealer pays set-up fee of $350 and buys $500 of voting stock	7 ($7 mil.)	$23 (34,000)	2 (650,000)	300	14 6 2	$1 mil. (tabs run from $45/1000 to $230/1000)	4.5-5%, paid in commission, class A stock, and 20% in cash
United Hardware Distributors Minneapolis	80 (47)	640 (NA)	NA	Dealer invests in 50 shares of stock at $69 a share ($3,450)	NA	$7.5 (est.) (33,000)	1 (420,000)	300	7.22 NA 2	NA	2 (historically paid in cash and a three-year note)
Handy Hardware Wholesalers Houston, Tex. (1961)	31.6 (12.1)	350 (185)	70 (25)	Dealer pays $200 set-up fee and buys $1,000 of stock	3 ($948,000)	$4.6 (20,000)	1 (100,000)	103	9 NA 1	$84,000 (charges dealers $150 a month for co-op, of which 25% are using)	$5.50 a share on 12,000 shares of preferred stock; (2% of retailers' sales placed in fund that, when it reaches $2,000, is converted into preferred stock)
Reserve Supply Minneapolis (1926)	51.8 (60-1978)	350 (NA)	35 (20)	Dealer buys one share of stock ($4,112)	90 ($46.6 mil.)	$6 (3,100)	5 (400,000)	172	NA	NA (plans to offer a tab circular program in 1982)	NA (only 300 of Reserve's 1,300 total accounts, who are shareholders, share in the profit)
Bay Cities Wholesale Hardware Manteca, Calif. (1931)	10 (8)	200 (200)	4 (NA)	Dealer pays minimum of $1,600 with total requirement of $5,100	none	$1.2 (15,000)	1 (90,000)	38	10-20 6 2	none (assist dealers in getting co-op; tabs cost $50/1000)	no rebate
KVD Inc. Winfield, W. Va. (1955)	10 (6)	140 (NA)	31 (37.5%)	Dealer buys one share of stock ($100)	2.5 ($250,000)	$1.2 (10,000)	1 (100,000)	20	5-15 NA 4	$50,000 (NA)	8 (stock issue)
General Merchantile & Hardware St. Louis (1937)	9 (4)	300 (125)	15 (5)	Dealer is billed over a 10-yr. period for total commitment of $6,000	none	$1.7 (18,000)	1 (86,000)	36	6-18 6 1	$100,000 (NA)	5
Connecticut Hardware Supply Cromwell, Conn. (1936)	6.2 (3.5)	50 (50)	none	NA	none	$1 (25,000)	1 (35,000)	15	NA	$96,000 (NA)	NA
Assoc. Wholesale Hardware Portland, Ore. (1954)	1.8 (2.2)	97 (110)	NA	Dealer buys 10 shares of common stock and subscribes to purchase 40 more	none	$0.435 (10,145)	1 (40,000)	8	14 10 2	"Minimal" (tabs cost dealers $20/1000)	NA
Master Distr. Somerville, Mass. (1935)	1.3 (1.6)	55 (55)	6 (5)	Dealer buys one share of stock ($2,000)	none	$0.250 (20,000)	1 (55,000)	10	16 8 8	none	no dividend

Source: NHCN research and National Retail Hardware Assn., Indianapolis

Home center perspectives '82

Scotty's steps up Oriental import commitment

WINTER HAVEN, Fla.—Chairman Ray Cooney may prefer to describe Scotty's recent move into Oriental importing as "crawling before we can walk," but the 81-store chain is moving rapidly into the world market, making deals in Taiwan, Japan and Hong Kong for such products as ceiling fans, floor coverings, wood products, hardware and garden tools. The chain is also looking to make deals with firms in the People's Republic of China.

"We're not really big in importing yet," explained Cooney, "only new at it." Scotty's was the first United States firm to import ceiling fans and hand tools on a direct basis, according to Cooney, and the company would like to continue to deal directly with foreign manufacturers in the future rather than doing business through a trading company.

"Right now we're importing more sku's through trading companies, but more dollar volume directly," he said, the result of large purchases of ceiling fans directly from manufacturers in Hong Kong and Taiwan.

Currently, Scotty's imports account for about 5% of all merchandise purchases.

"The opportunities are great if you approach it right, a whole new avenue of products," Cooney declared. "But you first have to learn the ABC's of importing. You can't afford to stumble."

To guarantee that Scotty's doesn't stumble while learning the importing ropes, an informal import group has been set up within the company, consisting of operations coordinator Tom Leete and all product managers. The group meets periodically to evaluate import opportunities as they arise.

"The potential rewards of importing from the Orient are tremendous," said Leete, who sees Scotty's eventually buying up to 20% of its goods from overseas sources. "Some price differentials are astounding, 45%-50% off domestic prices on some items."

One of the keys, of course, is to buy in volume; and the importer must have the warehousing space and distribution facilities to accommodate large volume buys, Leete said.

One element not really necessary, according to Leete, is someone with international experience. "Buying from overseas is not really difficult, although everyone wants to tell you that it is," he said. "You just have to learn how to do business in a different environment, with a different culture, with people that have slightly different business ethics."

Scotty's first Oriental deal was made in mid-1980 with a Taiwanese hardware manufacturer. It was consummated entirely over telex.

"We got our leads from import/export trade publications, the China External Trade Development Council and even from the shipping labels on merchandise we had seen in different places," Leete said, from his Winter Haven, Fla., office. "We contacted some folks over the telex, got samples and made the deal, all by telex."

Most of those early deals were made directly with manufacturers, except in cases where there was a language barrier, not an uncommon problem in this sphere of purchasing.

"If we must deal with a trading company we prefer it to be a local group, we don't work through United States trading companies at all," Leete said. "We like to develop specialists within a given market. Right now I'm using a trading company to assist me in the importation of wall lauan and prefinished paneling from Tai-

(Continued on page 114)

Execs learn importing lesson

Looking for products to import from the Orient can have its trying moments, as Scotty's Tom Leete and Barry Hurt discovered recently on their way home from a business tour to Canton, in the People's Republic of China.

Suddenly, as the two execs were checking their carry-on luggage through the airport X-ray machines, three Red Chinese soldiers, armed with AK-47 submachine guns seized the luggage.

"The soldier picked up a hand cultivator from the luggage, showed it to the crowd, and they all laughed. Another picked up a trowel, displayed it to the crowd, and got the same hysterical response," Leete recalled. "I'm sure they were all thinking 'What stupid Americans to try and carry these aboard the plane.'"

Leete and Hurt were escorted to the main luggage area, where they tried to explain to the soldiers, through an interpreter, that the samples were harmless garden tools, not weapons for hijacking purposes. Fortunately, the two had letters from the manufacturers attesting to that fact. The soldiers let Leete and Hurt keep the tools, but only after the pair transferred the tools to their other luggage stored in the plane's cargo bay.

Buying co-operatives

(Continued from page 68)

house facilities, and their strength lies almost exclusively in the product buys they can arrange for the individual members. However, membership within this co-operative segment appears to have fallen off slightly, even though together they did $512 million in volume at cost. In addition, officials from each of the four co-ops claim at least 50% of their total accounts fall under the "home center" classification, sustaining these buying organizations' importance in the industry.

The third group represents a combination of buying co-operatives whose members are wholesalers, and it perhaps is the most formidable, in terms of membership, of the three co-op levels.

Sales from this group in 1981 totaled $3 billion (including volume from Associated Hardware Buyers, Gainesville, Ga., which refused to release any further information). These co-ops' 179 wholesale members have a total of 253 distribution centers and, as a group, service most of the United States.

What distinguishes these co-ops from the other two groups is that a substantial part of their revenues comes not from service charges to wholesalers but from fees to manufacturers wanting to get their products to a wider retail audience.

Two of these co-op buying organizations will be looking for more corporate recognition in 1982 as well. Pro Hardware recently announced it will spend in excess of $3 million in advertising this year, and Liberty has a $2 million ad campaign in the works.

These expenditures for advertising may be a clue to the pervading feeling that co-ops are under competitive siege around the country. The huge home center and discount chains are powerful enough to buy directly and strike their own deals. Management services organizations, like Builders Mart of America, Greenville, S.C., which has grown from servicing 373 retail locations in 1977 to 1,167 last year (despite a $7,200 affiliate initiation fee) with sales of $290 million (80% of which comes from LBM sales), offer dealers an enticing alternative to co-operatives that, at times, seem to be providing redundant programs.

However, it is unlikely that co-operatives are going to go down without a fight, and several co-op officials feel their position, with respect to the home center industry, is as solid as ever.

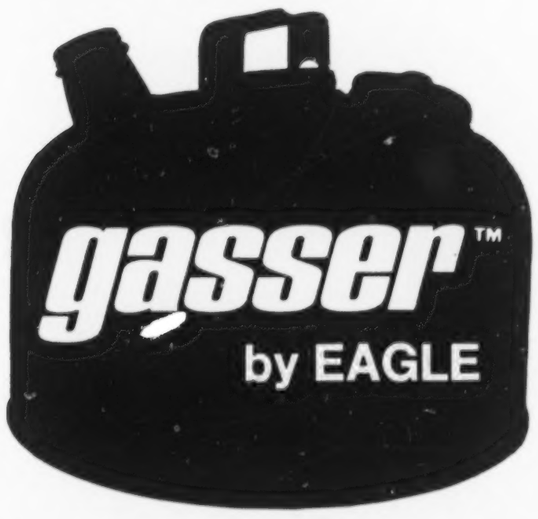
"Our greatest strength is that we're a retail-oriented company," said Paul Smith, vp-marketing for HWI. "We give our dealers a complete system—merchandising, training, etc.—to allow them to compete successfully with the major chains. That's our reputation."

Lumber and building material co-ops

Company (founded)	Sales (in millions) 1981 (1976)	No. of dealers (total accounts)	Dealer fee	% of home center members (% of total sales)	% of sales from lumber/ building materials	Employees	Advertising	Rebate
Lumbermans Merchandising Wayne, Pa. (ELMCO) (1935)	316 (NA)	165 (500)	NA	55 (55)	55 lumber 45 BM	100	none corporately, marginal co-op	NA
Central Building Supply (CBS)—Burr Oak, Mich. (1937)	100 (30)	480 (NA)	$100 fee plus quarterly charge based on co-op expense	50 (50)	100 (L/BM)	22	none (co-op part of quarterly fee)	Dealer earns dividend based on sale of certain sku's they are required to buy
Progressive Affiliated Lumbermen (PAL)—Grand Rapids, Mich. (1936-37)	50 (35)	175 (193)	12 shares of stock ($20 a share) plus $100 processing fee and optional $100 for michofiche use	95 (95)	100	10	none (co-op passed on to dealer based on volume)	"Any money left over after expenses is turned over to dealers"
ENAP ("Everybody Needs A Profit")—Newburgh, N.Y. (1935)	46 (25)	60 (98)	One share of stock	50 (50)	100	16	none (beginning co-op offering in 1982)	NA

Source: NHCN research, National Retail Hardware Assn., Indianapolis

Here's a real



Gasser, the ideal gasoline filler can is in demand by everyone who needs Go-power. Gasser is tough, made of sturdy 26-gauge galvanized steel. No side seams, large filler opening, 6" flexible spout and vent cap. Value-priced Gasser comes in 1, 2½ and 5 gallon sizes. Stock Gasser and it'll sell — contact your Eagle Salesman.

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EAGLE **MANUFACTURING CO., WELLSBURG, W. VA. 26070**
Oilers, Oil & Gasoline Containers, Safety Cans & Cabinets, Oily Waste Cans, Faucet, Lab & Disposal Cans

Buying groups for wholesalers

Comp. (founded)	Sales (in mils.) 1981 (1976)	Wholesaler membership 1981 (1976)	Affiliated dealers (total) accts.)	% of DIY accts. (% of total sales)	Initiation fee	Wholesale distribution centers	Inventory (in mils.) (sku's—avg. warehouse)	Employees	Adv. co-op (wholesalers)	Rebate
Liberty Dist. Des Plaines, Ill. (1935)	$810 (520)	30 (29)	3,000 (20,000)	30 (29)	$5,500	57	130 (35,000)	42	$700,000	confid.
Assoc. Bldg. Materials Green Valley, Ariz. (1975)	700 (200)	53 (27)	no affil. (30,000)	NA	NA	100	NA	3	($950,000) $2,500 (NA)	confid.
Pro Hardware Stamford, Ct. (1956)	546 (395)	22 (18)	4,512 (18,000)	38 (NA)	$2,000	29	110 (27,000)	24	$1.75 mil. ($1.3 mil.)	NA
Sentry Hdwr. Cleveland (1967)	475 (275)	17 (10)	5,000 (NA)	NA	After four years with Sentry, wholesaler buys one share of stock (undisclosed amount)	24	NA (30,000)	10	$4 mil. ($3.5 mil.)	confid.
Val-Test Dists. Chicago (1960)	365 (250)	32 (27)	800 (NA)	NA	Franchise fee, variable on distributor's size, which becomes a co-op allowance (from $100-$400)	43	64.5 (19,000)	10	$500,000 (NA)	confid.

Source: NHCN research, National Retail Hardware Assn., Indianapolis

LUMBER REPORT

Flexibility is crucial for 80's

Take the initiative in a changing industry

By Phil Chiricotti
Special to NHCN

For the nation's lumber dealers, and indeed, businessmen generally, there can be little doubt that we are in the worst recession since World War II. Yet the Administration continues to fight the phantom enemy of inflation while the depressionary torpedo heads straight for us.

Even with inflation dropping, real interest rates have soared to record levels. Rates have moved back up despite a less restrictive Fed policy and it is clear that rates are going to remain more volatile.

As we enter 1982, the underlying strength of the United States economy is worse than at anytime since the Great Depression and basic industry survival is at stake.

Not desirable

The American propensity to move is slowing and the housing industry is fighting for its life. National priorities have changed and subsidized credit is no longer available to the housing industry. Homes are no longer appreciating, household formations are declining, the move-up market has soured, the availability of credit is diminishing, the S&L problem will take a decade to work out, affordability is overpowering demand, rates cannot come down until we reliquify or until credit demand drops, the fixed-rate mortgage is history and operating and maintenance costs continue to skyrocket.

In short, the economics of home ownership have changed and the home is no longer an investment, but rather a place to live. As a result, conventional housing is going to become less and less viable in the decade ahead.

Instead of crying about things, certain builders are taking the initiative. You should do the same.

Builders and developers are taking a hard look at factory-built housing and this is particularly important to you as a potential supplier. In order to survive during the next few years, you are going to have to look at noncommodity items, the DIY market, and components, i.e., roof trusses, wall sections and floors.

The need for specialization and diversification is here. The distribution system is in disarray and the manufacturers are going to try to get closer to the consumer, but some are making the sales agent idea work. On the other hand, the manufacturers that did go direct seem to be having the biggest receivables problem today.

In any event, wood specie preference is going to change with the economics, and logistics are going to become increasingly important. The old-time lumberyard can't be all things to all people and a shake-out-restructuring period is surely ahead. Before it is over, the wholesale/retail functions are going to overlap.

Opportunity doesn't knock once; it keeps on knocking, but you must approach your business in an intelligent manner to take advantage of opportunities. You must control your exposure, but more importantly, you must be willing to change your strategies as market conditions change.

Hardwork and perseverance are no longer enough, you must be willing to keep on learning and acknowledge that there is no investment technique or strategy that remains attractive indefinitely. You cannot change the existing conditions, but you can still achieve realistic goals.

Distribution patterns are changing and you must acknowledge your environment to accomplish your goals. New locations and new product lines may be required. If you want to go direct, and the mills are worried about credit, pay in advance and ask for a discount. Hire a profit-planning manager and compute store and product-line ROI.

Use discounted cash flow measurements and compare them to your cost of capital. Reload operations and basis trading are going to become increasingly important, but those reload bargains may diminish once the markets normalize. In any event, the trading center concept is going to flourish. Inventory control is no longer a luxury. The era of the cash and traffic manager is here. We are entering a service period and it is going to be increasingly difficult to operate on borrowed capital.

Check into leasing, learn about zero-base budgeting and shop for terms. It won't be business as usual during the years ahead, but there will be new opportunities. In order to capitalize on these opportunities you must be liquid, avoid exposure and acknowledge the changing business climate. Most of all, you must know when you are speculating.

The recession continues to deepen and any recovery will be subnormal until reliquification takes place. Without the deficits and after reliquification, Reaganomics might work—even though we already have substantial excess capacity. But as a result of the deficits and the disarray in fiscal policy, it remains a high-risk program. The need for a credible budget has never been greater and unfortunately, the Administration does not understand this.

One sympathizes with the President. There is no objection to his intentions. But one cannot have monetarism, deficits, guns, butter and lower interest rates all at the same time.

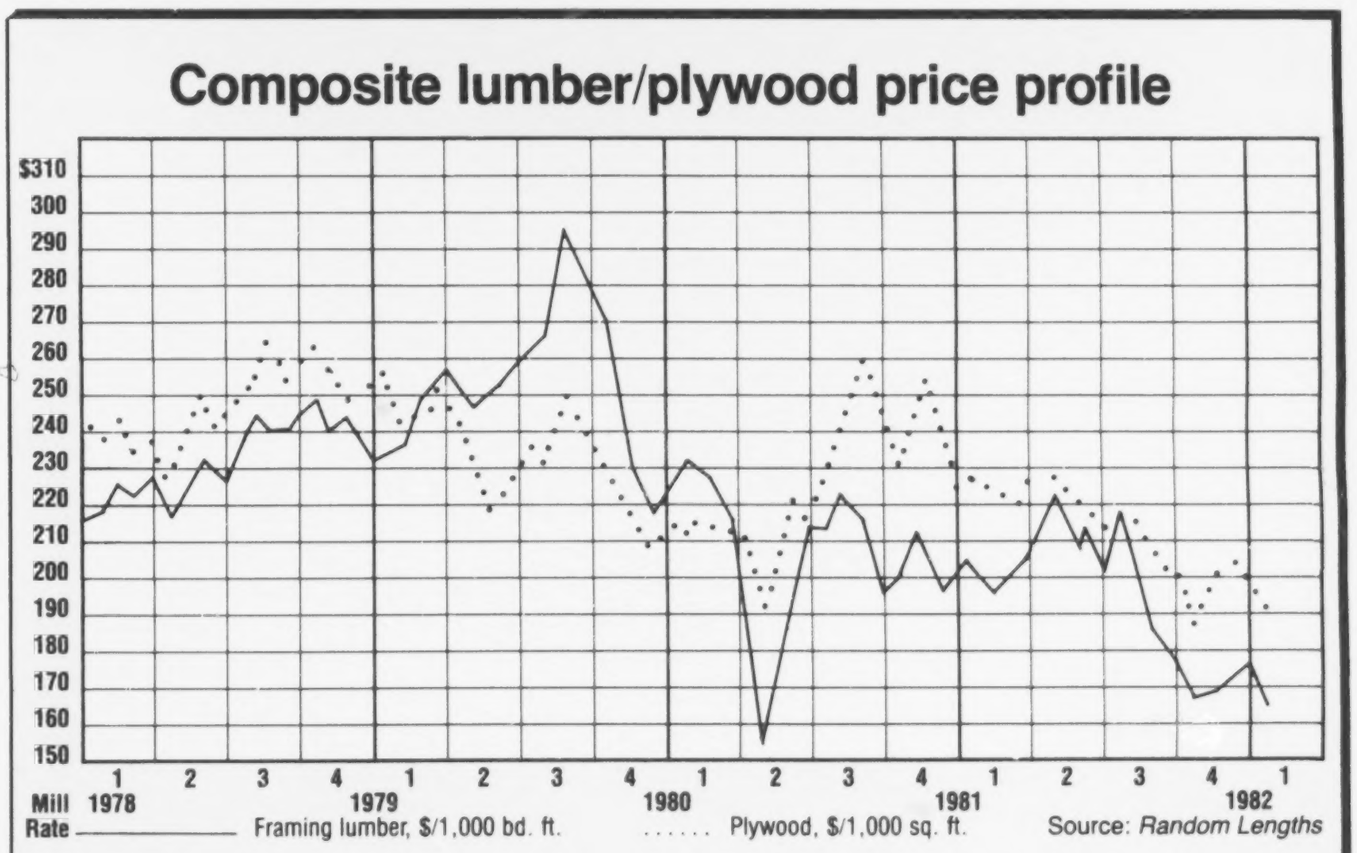
Observers are becoming alarmed over the inability of the recession to benefit the credit market, i.e., loan demand has not dropped off and the quality of credit continues to deteriorate. When the credit expansion cycle fails to aid an economic contraction, it compounds the problems through increased debt service and this is what causes bankruptcies.

Others feel that we are entering a depression that will cause major illiquidity and debt payment problems. They also feel that the 1980's will witness a general decline in the standard of living. Anyway you look at it, the 1980's are going to be a period of uncertainty.

Therefore, you must prepare yourself psychologically as well as financially by continuing to review all options. Clearly, there is little room for error in your planning and you must remain flexible.

Phil Chiricotti is the editor of Chiricotti's Lumber and Plywood Forecast, *and is director of forest products for K & S Commodities, Chicago. This article is the introduction to a series, appearing exclusively in* National Home Center News, *that will focus on how changes in the production, distribution and marketing of lumber, plywood and forest products will affect home center buying decisions.*

Composite lumber/plywood price profile



The market is nearing equilibrium, with January and February prices hovering at the below break-even level. Plywood is averaging $190 for 1,000 sq. ft., and framing lumber at $162, based on Random Lengths' *weighted measure of seven key plywood items and nine key framing items.*

FUTURES

Two weeks ended Feb. 19, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	146.30	138.00	139.40	141.80	2,353	247.50	138.00
May	153.10	144.00	147.60	148.30	4,028	220.30	144.00
July	164.20	155.70	160.70	159.60	1,210	224.50	155.70
Sept.	171.00	165.00	167.00	168.70	734	229.50	165.00
Nov.	171.80	166.10	168.30	168.50	739	224.50	166.10
Jan. '83	179.00	172.70	175.70	177.20	551	205.50	172.70
March	187.50	184.00	184.00	186.50	22	209.80	183.00

Total Vol. (Through 2/19): 21,140 — **Previous Two Weeks: 21,922**
Total Open Interest (As of 2/18): 9,674 — **Previous Week: 9,474**
Cash Price: $131.32 — **Previous Week: $127.40** — **Year Ago: $147.00**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March	182.30	173.20	174.90	178.30	1,335	252.00	173.20
May	188.30	180.20	182.00	184.60	1,914	241.00	180.20
July	194.20	187.00	187.50	190.30	505	219.00	187.00
Sept.	199.00	192.50	193.50	196.30	502	224.50	194.50
Nov	204.00	197.60	199.00	202.70	248	226.50	200.50
Jan. '83	211.00	203.00	204.00	207.70	72	215.00	204.00

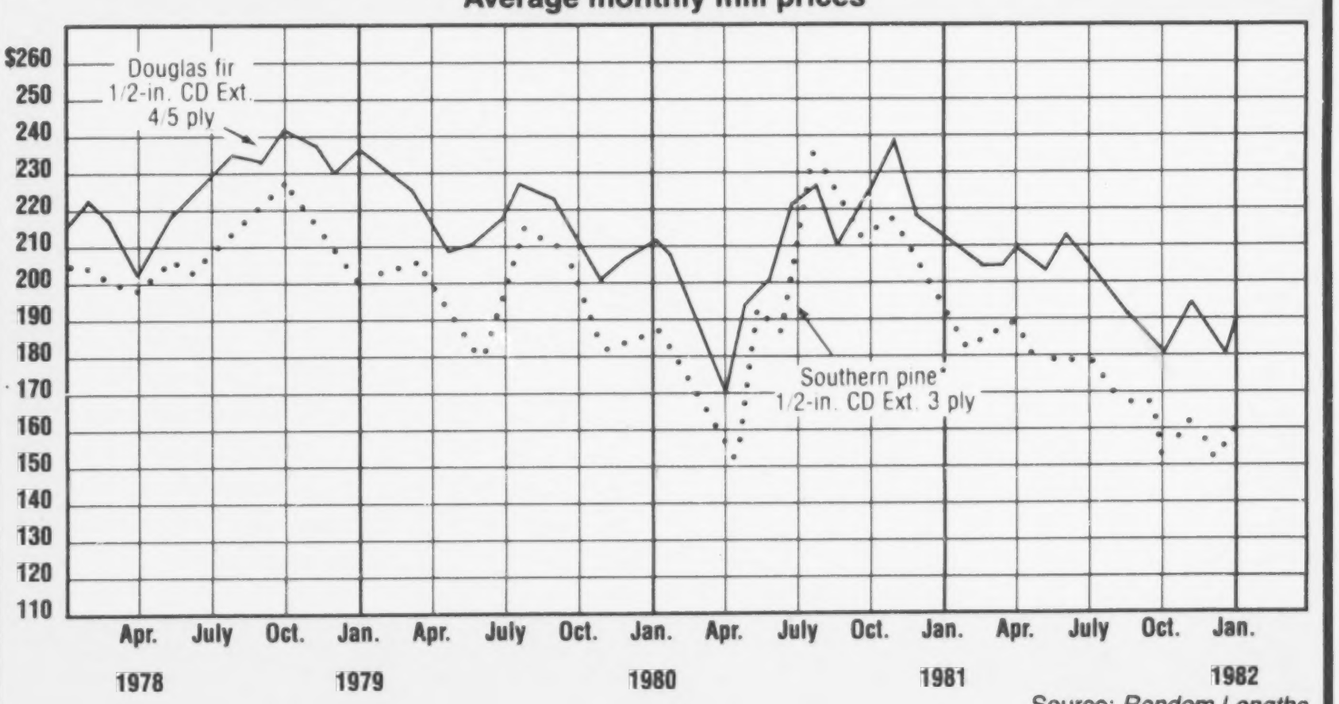
Total Vol. (Through 2/19): 8,260 — **Previous Two Weeks: 3,905**
Total Open Interest (As of 2/18): 4,576 — **Previous Week: 4,788**
Cash Price: $170.52 — **Previous Week: $174.44** — **Year Ago: $198.94**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	258.6	263.4	305.1

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Feb. 18.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



In December Western 4/5 CDX ½-in. plywood reached its lowest price over the last several months and southern 3-ply plywood reached its highest, when both commodities were sold at $173. Western prices were undercut by wholesalers selling previously purchased wood.

At the same time, Southern prices were strengthened by a strong Texas market. Prices for Western plywood then rose in the beginning of the year when supply was lessened. Southern prices, meanwhile, declined as major producers shifted significant volume from mills to distribution centers.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
American Maize Products	12/31-4th qtr.	$ 101,259	$ 105,168	– 4	$ 3,943	$ 3,052	29
	12/31-Year	423,153	413,707	2	12,208	10,706	14
Diamond International	12/31-16 wks.	371,000	430,000	–14	6,800	14,600	–53
	12/31-Year	1,341,000	1,282,000	5	31,800	40,600	–22
W. R. Grace	12/31-4th qtr.	1,759,337	1,707,418	3	81,721	68,115	20
	12/31-Year	6,520,817	6,135,654	6	361,331	287,438	26
Lowe's	1/30-5 wks.	54,600	67,000	–18	—	—	—
Wolohan Lumber	12/31-4th qtr.	18,481	25,521	–28	342	284	20
	12/31-Year	88,788	99,188	–10	972	796	22

*$ in thousands

Evans' '81 retail net climbs 2% to $53M

PORTLAND, Ore.—Retail performance at Evans Products-owned stores was a bright spot in a mostly lackluster 1981 for the company.

Despite a sluggish fourth quarter, which showed operating profits falling 14% to $13.5 million on a 1% sales gain to $176.5 million, Evans' retail businesses boosted their operating profits 2% for the year to $53 million on a sales increase of 9% to $756.2 million as compared to the same results in 1980.

Both annual revenue and earnings figures were record highs.

Overall, Evans' net income fell 57% during 1981 to $17.6 million on a 5% revenue increase to $1,537.2 million, officials said.

Record high interest rates and unfavorable economic conditions adversely affected the company last year and its projected near-term results forced Evans to cut its common stock dividend from 40¢ to 25¢ per share for the first quarter, company officials said.

Retail group sales during the year were aided by a 12% gain in DIY volume, which accounted for 84% of business, up from 82% in 1980. The DIY market also helped produce the slight fourth quarter increase in revenues because Evans' business to the housing market decreased.

Operating expenses increased for the quarter and resulted in the year-to-year decline in the period's earnings.

Evans operates stores under the Grossman's, Moore's, Lindsley, Alamo Enterprises and Hubbard & Johnson names.

Study sees $98B home/auto biz by '95

CLEVELAND—By 1995 the DIY home and auto market will total $98 billion, a fourfold increase from 1980 figures, with the wholesale market reaching $63 billion.

DIY home alteration and repair products will be the fastest growing DIY market segment by 1995 at nearly 11%. Total DIY auto product shipments will approach $19 billion. Overall, DIY will represent 42.7% of the home and auto repair market, up from a 1980 figure of 25.9%.

These predictions are included in a 147-page report published by Predicasts, the Cleveland-based business information and market research firm.

Predicasts attributes the boom to rising costs for professional labor and new homes and autos, as well as population gains in key DIY age groups and increasing economic pressures.

They cite the growing interest in home remodeling, the proliferation of home centers and consumer lumber stores and the sharply rising price of many wood products as factors stimulating growth.

Predicasts believes that particleboard and protection devices will be the fastest growing DIY home products by 1995, with that total market reaching $44 billion.

Adversely affecting the DIY auto products market will be longer-lasting electronic systems.

Beatty

(Continued from page 3)

and turned over its assets to the Michigan National Bank.

Ironically, shortly thereafter, the police arrested the former employees suspected of theft on unrelated charges, including heroin dealing, in one instance, and immigration law violations.

"These men were all longtime, trusted employees of the company," Beatty recalled, more in sadness than in anger. "I considered them friends. One of them coached a local softball team which included my son. He even took the team to Florida for a tournament."

Beatty's one remaining asset is the 840-acre Black Forest Ranch, a peat moss bog located near Sheboygan, Mich. Although Beatty appraises its value at $3 million, he is on the verge of accepting an offer of $1.65 million, most of which will go immediately to the bank.

"Despite the fact that the bank sold all the lumber, machinery and trucks for $1.2 million, I now owe them $1.4 million because of the interest rates," Beatty said, with more than a hint of disbelief.

Whatever is left over after Beatty settles with the bank will go to his unsecured creditors, including Weyerhaeuser, who have been "patiently" awaiting the results of the ongoing Beatty saga.

"I'd like to pay them 100¢ on the dollar," Beatty said, who confided that they might have to settle for half now and make a deal on the balance.

Beatty feels he could have done more to prevent the thefts. "I should have had better security at the yard at night, either myself, my brother [partner] or a security guard," he said. "Every shipment leaving the yard should have been checked. A big mistake was leaving blank tally sheets around where the thieves could find them and use them."

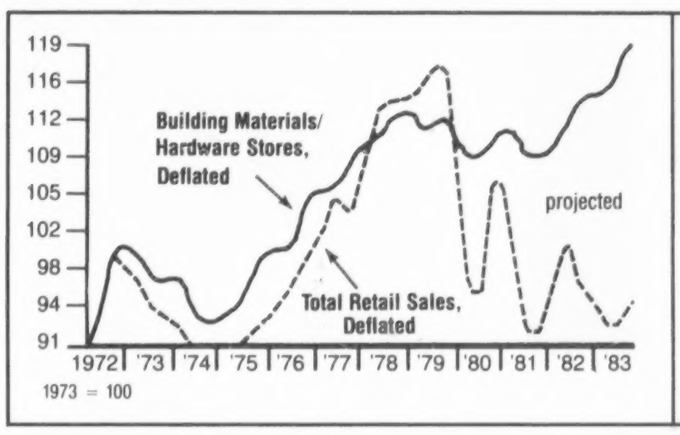
Beatty also said next time, he would take out fidelity bond insurance on all employees, rather than relying on the so-called umbrella "all-theft" policy, as he did.

Despite everything he's been through Beatty would like to get back into the lumber business, assuming a favorable settlement with the insurance company.

"After 33 years in the lumber business, it takes more than this to sour me on it. It's still a great industry, as far as I'm concerned and I can't wait to get back into it."

L/F ECONOCYCLE

DIY sales recovery projected at slower rate



Building Materials & Hardware

Sales Change By Quarter

	'81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	12-Month % Change '80 %	'81 %	'82* %
Sales include Inflation	8.4	15.2	7.4	– 6.2	–10.1	0.7	10.7	15.0	– 3.2	6.0	3.6
Real sales (Deflated)*	– 1.2	6.0	0.5	–11.1	–13.1	– 2.9	3.7	5.5	–12.4	– 1.6	– 2.2

Base = Dec. 1981 Sales
*Projected

After months of nagging pessimism, consumers seem to be turning confident about the economy again. But they still aren't ready to shell out hoarded disposable dollars for major purchases any time soon, according to the latest soundings of the Conference Board.

This outlook goes hand-in-glove with current Federal projections for general retailing over the next few months.

Consumer spending gains will probably be modest at best, the new Conference Board study indicates. Its latest consumer confidence index reading (calculated on a 1969-70 base of 100) moved up to 61.2 in January, an increase of 1.8 points over December.

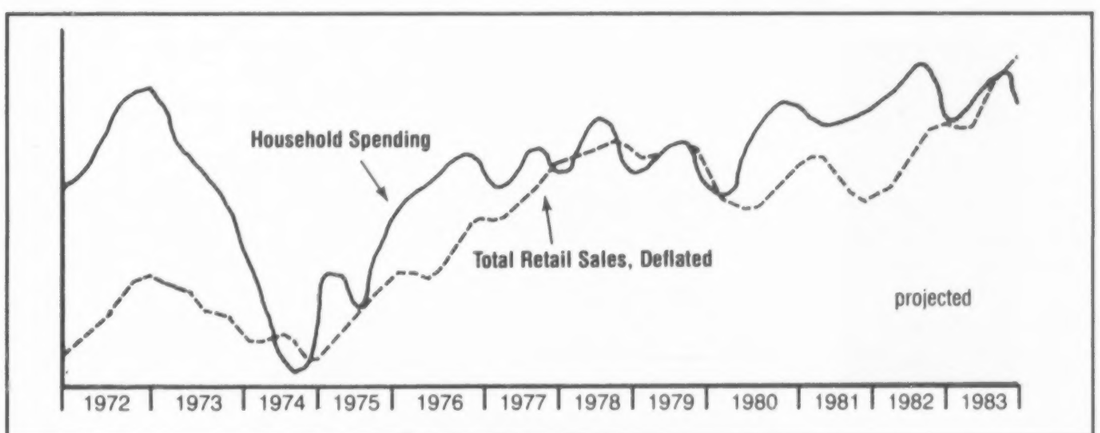
The turnaround in attitude hints at an improving economy and mirrors L/F's own spending indicator (below) which now sees a clear "recovery path" opening up for general retailing in the second quarter

The L/F Econocycle projection is for a slower recovery this year in the DIY sector than previously expected —forcing a wider gap between DIY and total retailing in coming months.

First quarter sales in home building/supplies and home center retailing should show a 12%-13% decline, based on recent Econocycle computer readings.

DIY sales should begin improving next month, but overall will continue below 1981 levels.

"Real" sales for general retailing, on the other hand, will also be off 1%-2% next month, roughly half the rate-of-decline in the first three months of 1982. The overall retail economy, in fact, should have a healthier glow as sales nose upward through the second period.



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	6.2	7.9	9.8	– 6.2	5.2	2.5	5.9	5.0	4.6
1982	1Q*	3.1	7.6	8.3	–10.1	5.4	1.3	2.3	2.5	2.2
	2Q*	3.8	7.4	7.6	0.7	5.3	7.5	4.4	2.2	3.8
	3Q*	5.4	8.0	11.4	10.7	6.3	9.3	4.9	6.5	6.7
	4Q*	7.6	9.1	10.9	15.0	6.9	8.1	5.7	10.2	8.8
% change 12 mos.	1980	7.5	10.8	8.7	– 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.6	9.6	9.6	6.0	8.6	6.2	8.1	8.6	8.0
	1982*	5.0	8.0	9.6	3.6	6.0	6.5	4.3	5.4	5.4

Real Sales (Deflated)*
% Change By Quarter

1981	1Q	0.4	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.4	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	– 1.1	–0.6	3.9	3.2	2.5
	4Q	– 0.4	3.0	1.6	–11.1	– 3.9	–3.1	2.6	– 0.3	– 0.3
1982	1Q*	– 2.4	1.9	1.8	–13.1	– 2.1	–4.6	–0.8	– 2.4	– 2.5
	2Q*	– 0.6	– 1.0	0.9	– 2.9	– 0.3	0.2	1.3	2.7	– 1.2
	3Q*	3.5	– 0.9	4.1	3.7	2.1	1.1	2.0	1.3	1.4
	4Q*	5.4	– 0.4	3.3	5.5	3.0	0.0	2.2	3.6	2.6
% change 12 mos.	1980	– 2.7	3.0	– 0.7	–12.4	2.5	– 1.4	0.1	– 1.5	– 1.2
	1981	1.5	0.8	0.6	– 1.6	– 1.1	0.4	4.2	2.4	2.3
	1982*	1.2	– 0.1	2.5	– 2.2	0.6	–0.9	1.2	– 0.1	0.0

Base = Dec. 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month. Source for current sales and the deflator series is the U.S. Department of Commerce.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

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66J01464
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 800
WASHINGTON DC 20014

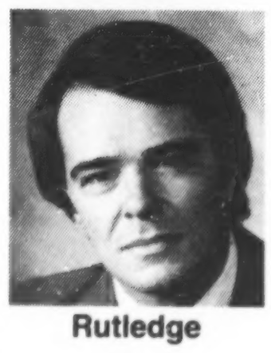
Merchandising flooring . . . pp. 19-2

National
Home Center News®

Vol. 8, No. 7 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. March 29, 1982
$7 per year $2 per copy

Rutledge to show-goers: Plan on lower inflation

CHICAGO—Dr. John Rutledge told home center retailers, manufacturers and distributors they should look toward changing planning strategies for their businesses based on inflationary expectations.


Rutledge

Rutledge, president of the California-based Claremont Economic Institute, proclaimed "the biggest news in the Western world is that the inflation rate has changed and the rise in this country is over because the Federal Reserve has stopped allowing the Government to print money and throw it around."

He told an audience of approximately 3,000 listening to his keynote address at this year's Home Center Show that as the inflation drops, the long-term effects will be a strengthening of the financial market.

In turn, that will mean more capital will be available to companies for growth and expansion.

Describing himself as "not a supply-sider, but one who is antigovernment and anti-inflationary," Rutledge proclaimed that "the Reagan program is in trouble, mainly because it has been interfered with by politics, which has subsequently caused a paralysis in the money and bond market."

He explained that unless spending cuts accompany tax cuts, "Government will still have to find ways of paying its bills, with one of three instruments: more taxes, more borrowing or more printing of money."

Rutledge detailed how the cost of borrowing money or printing money places a greater tax burden on the public than direct taxation. He described income taxation as the "fairest and cheapest" way for Government to finance itself.

"Capital facilities—like factories, cities, roads—are wearing out because people do not have the long-term financing available to fix them," Rutledge said. "You can not build without strong financial markets, and capital investment in the United States has essentially stopped."

(Continued on page 46)

Grace consolidates regions for West, Midwest chains

By Kenneth Schept
NHCN senior editor

NEW YORK—W. R. Grace has again realigned its $800,000,000 home center division.

The changes consolidate the Angels and Cashway chains into a Western Region headed by Cashway president John Markley and the two Handy Dan entities into a Central Region under Dave Saks, president of Handy Dan/Southwest.

The position of home center division executive vice president was also created, and filled with a career Grace employee, Robert S. Downie, 47, who will report to Frank Denny, division president.

"We feel this move to consolidate will provide the advantages of scale to our central and western operations," Denny explained in a recent Grace release.

He told *NHCN* that the need to streamline management functions also played an important part in the decision to reorganize. An informed source suggested that the politics of corporate survival may have also been a factor.

Major personnel moves related to the changes include the departure of Nick Einfeld, who headed Handy Dan/Midwest and Angels/Arizona.

Buck Melton, former Angels/California president, will work for Grace corporate, New York. Former Handy Dan/Midwest vice president, Bob McNulty, is expected to become a western merchandising vice president.

Western headquarters will be in City of Commerce, Calif. The central region will be run from San Antonio. Handy

(Continued on page 46)

Grace's home center realignment

Under the realignment of Grace's home center division, Handy Dan/Southwest and Midwest are combined into a central region under Dave Saks headquartered in San Antonio. Angels/Arizona, Angels/California and Cashway form the west region run by John Markley from City of Commerce, Calif.

Buys 5 Lumbermen's

Lanoga invades Western market

By John Caulfield
NHCN field editor

SEATTLE—The $185 million Lanoga Corp. appears to be planning a major expansion drive that would make it a significant force in the West Coast home center market.

The company, which owns the 110-unit United Building Centers chain in Winona, Minn., and the 10-unit Spenard's in Anchorage, recently purchased five Lumbermen's of Washington units for $5 million.

Ted Tenace, Lanoga's president, said he plans to use the Lumbermen's stores as a basis for a "third division" of his company, with home centers eventually operating throughout Washington, Oregon and California.

He is currently looking into the acquisition opportunities in the Puget Sound market and in southern California "up through the San Joaquin Valley," he said. When asked about companies he was interested in and talking to, Tenace would only confide that "they are large chains, not one- or two-unit companies."

He noted, however, that northern California was "too competitive" at the present time to consider building any units there. "Lumberjack, Goodman's, and Orchard Supply, among others, make northern California less attractive to us right now."

In Lumbermen's, Lanoga has acquired a company that did $20 million in 1981 sales, with 70% coming from DIY purchases. According to Larry Knudsen, Lumbermen's president who will head up the new division for Lanoga, his stores average 4,000-10,000 sq. ft. of floor space with another 10,000 sq. ft. of back-up warehouse area which allows serve as selling space. The stores carry 15,000-20,000 sku's and are situated on one to five acres.

These units are very similar to Lanoga's UBC and Spenard's outlets. The first chain, which reported $80 million in volume last year, has stores with 7,000-8,000 sq. ft. of floor space, a 20,000-sq.-ft. warehouse, and 10,000 sku's. Most are on two to three acres of land and are 60%-70% DIY. Fifty per cent of their sales are in lumber and building materials.

Spenard's, on the other hand, nearly doubled its chain size last year when Lanoga purchased the five-unit Superior Building Supply company from

(Continued on page 45)

Lanoga at a glance

	Number of stores	'81 sales (in millions)	% DIY volume
United Building Centers, Winona, Minn.	110	$80	60-70
Spenard's, Anchorage	10	$100	20
Lumbermen's, Shelton, Wash.	5	$20	70

Source: NHCN research

NEWSBREAKS

WESTERN SHOW PLANNED. Sponsors of the National Home Center Show announced plans to introduce a Western Regional Home Center Show beginning in October 1983. The show's first location will be Anaheim, Calif.

SCOTTY'S SEEKS DADE SITES. Scotty's is collecting Dade County sites and plans to open about 10 stores in the Miami market by 1984. The expansion will begin as soon as real estate is obtained, according to Harold Taylor, senior vice president, who indicated that $14 million in short-term securities will be used.

Ad budgets escape cuts; Radio, TV volume lowered

By Tom Moloney
NHCN field editor

NATIONAL REPORT—Home center ad directors are reportedly decreasing their use of radio and television advertising—or at most, spending no more than last year—preferring to use mainly newspapers and more finely targeted media.

According to most chain officials, however, overall 1982 advertising budgets are being kept in line with last year's expenditures, despite operating cutbacks being made as a result of sluggish sales.

Among home centers reporting cutbacks in their use of the airwaves are 81-unit Scotty's, Winter Haven, Fla., and O'Malley Lumber, Phoenix.

Scotty's plans for a new television campaign earlier this year were "dashed on the rocks of high interest rates," according to Tom Roskelly, director of advertising.

The new campaign was to have featured comparative pricing with other home centers, a switch from the chain's traditional TV format of supporting sale items featured in print ads.

Scotty's will instead run three more tabloids this year than they did in 1981, for a total of 20 eight-page circulars on a one- or two-per-month basis. "They really pull in the traffic,"

(Continued on page 45)

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Wickes sells subsidiaries to reduce short-term debt

SAN DIEGO—Wickes Cos. has sold major shares of two of its subsidiaries this month, MacGregor Golf and the Red Owl/Snyder supermarket and drug store chain, in its ongoing efforts to reduce the company's $2.9 billion short-term debt.

Wickes officials also announced that a formal agreement had been reached to sell its $236 million Wickes Agriculture division to Pillsbury. The price has not been disclosed.

All three deals are part of a broader agreement with Wickes' short-term lenders, requiring the San Diego-based company to sell certain assets and subsidiaries, in order to secure a $580 million credit extension (*NHCN*, March 15.)

Closer look

A group of investors known as IV Square Inc., which includes Wickes executive vice president and director Clark Johnson, will reportedly buy 75% of Atlanta-based MacGregor Golf from Wickes for $17 million. MacGregor generated revenues of $40 million in 1981.

Wickes will also sell two-thirds of the Red Owl/Snyder supermarket and drug store chain, which it acquired when it purchased Gamble-Skogmo in August of 1980. While the terms of this deal were not disclosed, figures released by the company indicated that the price was approximately $55 million in cash and $5 million in notes. Red Owl will be sold to Owl Acquisitions, a newly formed company two-thirds owned by Thorofare Markets, Youngstown, Ohio, and by Gamble-Skogmo, based in Minneapolis.

Both transactions are contingent upon approval of financing and clearance by Federal agencies. The company has also made an agreement in principle to divest itself of 50% of Aldens, its mail order catalog company, to Quelle, a West German catalog showroom operator.

The combined assets in the sale of Red Owl/Snyder and Wickes Ag are worth $211.3 million. John Tilson, an analyst for E. F. Hutton, estimated that Wickes would have to sell off at least $200 million in assets to ease financial pressure from its debt obligations.

"We'll be suffering future losses, that's undeniable, and divesting ourselves of several other subsidiaries," said Michael Sitrick, a Wickes spokesman. "But we are pleased with the direction we've taken and the deals we've struck, so there are no plans to sell off Wickes Lumber, Builders Emporium or Gamble-Skogmo."

Those companies mentioned by Sitrick, under the umbrella of Wickes Corp., have been put on the Credit Watch list of Standard & Poor's, the credit-rating agency. Earlier last month, Moody's Investor Service reduced Wickes' five senior debt issues to single-B from Ba.

Being placed on Credit Watch is generally a prelude to a credit downgrading, but Sitrick insisted that both the S&P and Moody's actions were taken before the two recent divestitures were announced.

One effect of the MacGregor transaction is that Wickes will lose an executive—Clark Johnson—who had become somewhat of a troubleshooter for the corporation and was, in the estimation of one West Coast security analyst, the heir-apparent to Wickes ceo E. L. McNeely.

"I don't want to minimize what Clark did for us, and it hurts whenever you lose a capable officer, but Wickes certainly does not have a dearth of talented executives," explained Sitrick, "and his position in the hierarchy [of succession] can be debated."

He listed Wickes Lumber executive vp John Drum; corporate president David Primuth; director of corporate development Lloyd Russell, and Paul Hylbert, manager of Wickes Europe as some of the many young executives whom the company will be relying on as it tries to fight its way out of its debt and declining revenue problems.

Dittmar v. VMC dismissed for lack of evidence

BALTIMORE—A district court judge has ruled that distributor John Dittmar & Sons failed to present sufficient evidence to continue its case against the VMC Corp., manufacturer of Z-Brick.

Judge Norman Ramsey dismissed the case after evidence had been presented for several weeks by Dittmar's attorneys.

The judge ruled that there was insufficient prima facie evidence on the seven counts brought by Dittmar, and therefore VMC was not required to present its defense and the case never went to the jury for a verdict.

Suing VMC for damages of over $4 million, Dittmar had alleged antitrust and breach of contract violations, claiming that VMC would sell only to distributors who agreed not to deal in the facing brick of any other manufacturer.

The lawsuit was filed by Dittmar after VMC dropped the firm as a distributor in April 1979.

Dittmar also claimed that VMC wanted to punish it for placing an order for a competing brand; VMC maintained that Dittmar's poor performance was the reason.

Cross-examination by VMC attorney Lewis Noonberg tried to show, among other things, that Dittmar had not adequately stocked inventory.

Noting that the judge based his decision mainly on technical grounds, John Amabile, lawyer for Dittmar, said the decision would probably be appealed.

Building materials emphasized

Hardware Fair streamlines mix

BALTIMORE—With an eye on the heated competition in this market, 11-store Hardware Fair is increasing its building materials emphasis, with several major changes so far this year.

Since Feb. 1 the chain, for the first time, is carrying treated lumber. Paneling sku's have doubled from nine to 18, with the installation of new racks. Advertising now emphasizes building materials, as does a personnel training program.

The $11,000,000 company hopes to increase building material sales from 10%-12% of total volume to 15%-20% by the end of 1982, according to Tom Butz, general manager.

For the former hardware operation the increased building materials focus is due in part to the hotter Baltimore market, with three Hechinger stores now operating there and a fourth due in April; the merger of Scott's and Frank's Hardware and strong independents like Mr. Goodbuys and Inner Harbor, which just opened at a second location.

"I feel we've been pretty successful," said Butz, noting the changes in the market. "We're still here and growing."

In larger Hardware Fair units, about 20,000 sq. ft., the area occupied by building materials has grown over the past two years to about 8,000 sq. ft. or 30% of total selling space. Smaller stores now devote about 10% of sales area to building supplies.

To increase the space devoted to lumber, insulation, and other similar products, some departments were condensed and others were eliminated. Fishing tackle and other sporting goods have been jettisoned, for example, while pet supplies, which formerly occupied eight to 12 ft. of shelving, now have been reduced to promotional items only.

The Hardware Fair, Baltimore, which evolved into a home center operation from a hardware backround, now devotes up to 30% of sales space to building products.

Although treated lumber is now carried in all Hardware Fair units, the paneling increase has so far only been included in three stores, including the new one in Randallstown, Md., opened at the end of March. The program will be phased into the remaining units.

The advertising budget has not been increased from 3% of sales, but there will be three or four tabs this year compared to one in 1981 and each will promote building materials.

The advertising budget for 1982 is $400,000-$450,000, according to Butz, which includes about $100,000-$150,000 in co-op money. The 3% figure does not include the manufacturer dollars.

Reagan asks Peter Grace to head new task force

Grace

WASHINGTON—J. Peter Grace, chairman and chief executive officer of W. R. Grace, the multibillion dollar conglomerate which operates seven home center chains, has been named by President Reagan to head a new executive branch task force called the Private Sector Survey on Cost Control.

The group, which will report to the President on ways to cut Government operating costs, is modeled after a similar one established by Reagan while Governor of California. It will have an executive council of 30 to 40 leading businessmen, all participating at Presidential request as unsalaried volunteers.

According to Grace, the group hopes to begin work by April 1, complete its task in four months and submit a report to President Reagan by Oct. 1 at the latest.

"I'm a natural optimist," Grace said in a report in the *New York Times*. "I'm sure I'm going to fall on my face 19 times, but I'm also sure we're really going to come up with something quite meaningful. Fresh minds and imaginative, resourceful people can always do this."

Grace said that he expected his group to have an impact on the projected Federal budget deficit.

Grace, a political independent who reportedly has met the President on a few occasions, indicated he accepted the new responsibility without hesitation.

"When the President said to me 'I'd like you to do me a favor,' I said right away that I'd be very happy to do it."

Ranchers' parent files Chapter XI

OMAHA—W-E-W/Ranco, operator of seven Ranchers Hardware and Home Centers in three states, filed for Chapter XI on Feb. 22, one day after closing its Storm Lake, Iowa, store.

The 80% DIY chain lost its line of credit at its main bank, Iowa-Des Moines National, on Oct. 28, according to a Ranco spokesman. He stated that the chain's other six stores will remain in operation "indefinitely," although he added that there has been a 20% across-the-board layoff at the six units.

A spokesman for the bank declined further comment, citing the ongoing bankruptcy proceedings.

One of Ranco's creditors speculated that "too rapid expansion" led to the current situation. The chain grew from a single lumberyard in 1973 to five units in 1978, six in 1980 and seven in 1981.

When former Payless Cashways president and chairman Robert M. Lincoln became Ranco president in March 1980, he had hoped to acquire six additional stores that year (*NHCN*, April 28, 1980).

The chain only added one unit, and Lincoln left the company in August 1981.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 7. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 7 March 29, 1982

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Edison Brothers	1/2-4th qtr.	$277,370	$260,640	6	$15,578	$17,752	−12
	1/2-Year	951,436	853,389	11	43,654	42,457	3
Lowe's	1/31-4th qtr.	173,501	205,798	−16	3,128	2,471	27
	1/31-Year	888,042	883,614	1	17,859	18,891	− 5
Pay 'n Save	1/30-4th qtr.	272,638	259,568	5	5,867	8,312	−29
	1/30-Year	949,189	823,390	15	12,897	18,998	−32
Peavey	1/31-2nd qtr.	194,474	213,655	− 9	4,233	6,192	−32

*$ in thousands

Wolohan's '81 earnings rose 22%

SAGINAW, Mich.—Wolohan Lumber officials are not pinning their hopes on a turnaround during the early part of this year, according to officials at the 34-store, Midwest chain.

Despite earnings increases in both the fourth quarter and the year as a whole, sales dropped 28% in the quarter and 10% for the year, David F. Wallace, president of the company, said. He added that he foresees no immediate change in the situation.

"Our first quarter usually is a continuation of the previous year's fourth quarter," he said. "The economic climate today is worse than it was at this time last year. Our first quarter sales should be significantly below those of the first quarter last year."

The chain's net earnings rose 20% to $342,000 in the fourth quarter to help annual net profits rise 22% to $972,000 from comparable 1980 results.

Wallace attributed higher earnings to improved margins and reduced expenses.

Sales, however, fell to $18,481,000 in the last quarter of 1981 and to $88,788,000 during the entire year.

"With the economic climate in the Midwest remaining bleak, interest rates high, and unemployment severe, the home construction industry has been at a near standstill," Wallace said.

Contractor business posted a heavy sales decline last year. Professional volume claimed 46%, or better than $45 million, of total sales in 1980, but fell to just 43% of the business, or almost $38.2 million, in 1981, officials said.

Peavey's building supply sales sag

MINNEAPOLIS—Peavey's building supplies division continued to feel the brunt of the depressed housing market as its sales and earnings deteriorated during the company's second quarter ended Jan. 31, officials said.

Earnings figures were unavailable. However, the division reported a 3% decline in sales during fiscal 1981, noting that earnings were also down. The sluggish activity resulted in the divestiture of 11 of the division's 52 units recently (*NHCN*, Jan. 18).

Overall, Peavey's retail group, which also includes fabric and farm stores, showed improved sales and earnings in the quarter compared to the same period a year ago, officials said.

The company, which also has interests in agriculture and food, saw earnings decline 32% to $4,233,000 on a sales drop of 9% to $194,474,000 in the quarter compared to year-ago results.

Lowe's fiscal net dips 5%

NORTH WILKESBORO, N.C.—Despite a minuscule increase in sales and a slight decline in net income, Lowe's officials appear satisfied with the company's 1981 performance "in the most difficult climate for home building and major remodeling since World War II."

The 229-store chain saw post-tax profits fall 5% to $17,859,000 on a sales gain of 1% to $888,042,000 during its fiscal year ended Jan. 31. The topsy-turvy year also included a 27% earnings increase to $3,128,000 and a sales drop of 16% to $173,501,000 in the fourth quarter as compared to year-ago results.

Barbara Alexander, vice president of Smith, Barney, Harris, Upham in New York, and a Lowe's follower, expressed concern that Lowe's reduced its contribution to its Employees Stock Ownership Plan from 15% to 12% of prior year base salary.

Alexander said, "It should be noted that Lowe's has not made such a cut in the past, so the current move should be viewed as an indication of the difficulties currently being encountered."

The analyst also said a continued weak economy could halt the company's expansion program and almost certainly cut into profits once again.

"If so," Alexander added, "it would represent the fifth consecutive year of disappointing earnings."

At Lowe's, however, officials said the company would have actually increased earnings slightly in 1981 if it were not for the costs of remodeling 53 older stores with its Retail Sales Volume and Profits (RSVP) floor design (*NHCN*, Jan. 4).

They attributed what they view as not-so-disappointing 1981 earnings to expanded retail business as well as other factors.

Against 1980 figures, consumer sales jumped about 10%, while professional business fell 8%. This is the first year that DIY volume exceeded contractor sales in Lowe's history. DIY sales accounted for 52% of total volume, officials said.

Lowe's spokesman noted, however, that 1981 brought the most serious erosion in professional builder and wholesale business, which claimed better than 52% of sales in 1980.

STOCK PRICES

Companies with predominant home center sales

	As of 2/24	As of 3/3
Lowe's (NYSE)	12¾	14¼
Payless Cashways (NYSE) [Furrow]	15¾	16⅝
Scotty's (NYSE)	16½	16

Over-the-counter stocks

	As of 3/3 Bid	Asked
Erb Lumber	7½	9¼
Hechinger	17⅞	18⅛
The Home Depot	12¾	13¼
Pay 'N Pak	13¾	14
Wolohan Lumber	3	3⅜

Companies with significant home center sales

	As of 2/24	As of 3/3
Action Industries (AMEX) [Action Home Centers]	2⅝	2½
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	10	9¾
Boise Cascade (NYSE)	26½	27
Cyclops (NYSE) [Busy Beaver]	21⅝	22½
Diamond Int'l (NYSE)	36½	38¾
Edison Brothers (NYSE) [Handyman, Homer's]	24	24
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	16⅝	14¾
Forest City (AMEX)	11⅞	11⅞
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	39¼	35⅞
Interco (NYSE) [Central Hardware]	39¾	42
Peavey (NYSE) [Fish, Peavey/Thunderbird]	19	17½
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	14½	13½
Supermarkets General (NYSE) [Rickel]	17½	18⅝
Union Camp (NYSE) [Homecrafters]	47¼	46½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	8¼	8

Over-the-counter stocks

	As of 3/3 Bid	Asked
Dart Drug	12¼	12⅜
Hines Lumber	19	20
Pay 'n Save [Ernst, Von Tobel's Yard Birds]	19⅜	19⅝

New regulations on timber may ease supply problems

WASHINGTON—New regulations controlling the sale of National Forest timber are expected to be in effect by spring.

The rules are generally aimed at evening the flow of lumber production and reducing some of the speculative bidding practices that have tended to inflate timber prices.

One of the main changes requires that high bidders make a 5% down payment a few days after the bid date.

"The industry is somewhat divided on the changes," said Mark Pawlicki, staff assistant for the National Forest Products Assn. "It depends where you are in the county. Some feel they will create cash flow problems. Others think they will control "speculation."

The 5% down payment requirement is viewed as a mechanism to keep bidding prices down, which in turn could result in a more even flow.

Currently a company can obtain a five-year contract to harvest National Forest timber, for example, without making a significant payment in advance. Bidding competition can force contract prices skyward and, according to this view, make it financially necessary for a company to harvest lumber only when prices are at their peak.

In 1980, according to Pawlicki, total bids in National Forest Western regions amounted to 1.9 billion board feet. If companies were paying 5% up front at 16% interest it would amount to $138,000,000 Pawlicki said, a heavy expense, perhaps enough to keep bidding down.

If bid prices were lower, companies could afford to harvest timber more regularly, since profitibility would not hinge on selling only at peak price levels, according to this reasoning.

"The problem with these ideas are that they're not very real world," said Rus Fredsall, director of resources for the Western Wood Products Assn. "These kinds of supply regulations on the market are not going to smooth it out very much."

Another regulation aimed at evening timber sales would lock timber companies into payment schedules.

In addition, a stumpage rate adjustment will be required in all National Forest timber sales contracts in western Oregon and Washington. Some other areas already have the adjustments, which ostensibly are intended to make a timber sales contract more fair for both sides, since stumpage costs can fluctuate widely during the term of a pact.

Because of the difficulty of setting a stumpage rate adjustment for douglas fir, since the wood results in a wide variety of products, this regulation will not go into effect until March 31, 1983.

A 45-day period for public comment on the proposed regulations is now under way.

"It's in the political realm now," said Fredsall. "It's gone beyond arguing on the merits.

"A lot of people in the industry feel that at this time, in a distressed economy, it is inappropriate to deal in changes that will increase the cost of doing business," Fredsall continued. "It's like being kicked when you're down."

FUTURES

Two weeks ended March 5, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	142.80	130.60	134.40	133.70	915	247.50	130.60
May	152.60	139.60	140.30	142.90	4,010	220.30	139.60
July	164.40	150.50	150.90	154.50	1,315	224.50	150.50
Sept.	171.80	158.20	159.30	163.50	808	229.50	158.20
Nov.	172.80	159.90	159.90	165.50	683	224.50	159.90
Jan. '83	179.00	167.00	167.50	173.00	543	205.50	167.00
March	188.00	176.00	176.00	182.50	24	209.80	176.00

Total Contract Vol. (Through 3/5): 26,139 — Previous Two Weeks: 21,140
Total Open Interest (As of 3/4): 8,339 — Previous Week: 9,248
Cash Price: $128.38 — Previous Week: $129.36 — Year Ago: $145.04

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March	178.90	168.50	168.70	174.50	50	252.00	168.50
May	185.30	173.50	173.90	180.90	2,188	241.00	173.50
July	191.50	179.30	179.30	187.10	566	219.00	179.30
Sept.	197.00	183.70	184.50	192.00	546	224.50	183.70
Nov.	202.00	189.00	189.00	197.00	281	226.50	189.00
Jan. '83	206.50	193.50	193.50	202.10	112	215.00	193.50

**Revised Contract.

Total Contract Vol. (Through 3/5): 7,339 — Previous Two Weeks: 8,260
Total Open Interest (As of 3/4): 3,743 — Previous Week: 4,500
Cash Price: $173.46 — Previous Week: $173.46 — Year Ago: $197.96

COMMODITY RESEARCH BUREAU INDEX:	This Week 253.6	Previous Week 256.5	Year Ago 289.3

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 4.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Electronic funds transfer

(Continued from page 35)

to a particular individual or company.

MasterCharge and Visa, as well as many market funds, are now offering debit cards. The retailer probably cannot tell whether the card given him by a customer is a debit or credit card. In all likelihood, however, it is a credit card since consumers have not widely accepted the notion of having money withdrawn from their accounts in this manner.

The debit card is just re-emerging on the EFT front, but, retailers should be aware of its presence and follow its movement.

Many retailers have already found that EFT-type services can help increase sales, and they are keeping abreast of new developments.

Others who have not yet entered into the checkless-cashless society would do well to consider doing so. When credit cards began impacting our society, comedians would tell jokes with the punch-line "Do you take cash?" We may soon get to the point where consumers no longer carry cash, or checks, but will buy everything from the morning paper to a grand piano with a plastic card. Will your organization be ready for that day?

C515-3 4/9/82

Plumbing/bath supplement: p. 1?

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60UC-9404
CONGRESSIONAL INFO INC
4000 MASSACHUSETTS AVE NW STE 60C
WASHINGTON DC 20014

National
Home Center News ®

Vol. 8, No. 8 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. April 12, 1982
$7 per year $2 per copy

Safeway bags test of Salt Lake DIY

By Brad Altman
West Coast editor

SALT LAKE CITY—Safeway Stores is getting out of the home improvement business after a 14-month test of two Home Works home centers in this city's suburbs.

A spokesman for the Oakland, Calif.-based food retailer said corporate officials have subleased the Home Works sites to Allied Development, an area discount store.

Safeway opened the home centers to try to find new uses for its older, smaller grocery stores which no longer fit its modern, superstore concept.

High interest rates, the housing downturn and marketplace competition were only "miniscule factors" in the decision to close the Home Works, Walter Burt, public relations manager for Safeway's Salt Lake City division, said.

"Safeway just decided it would rather invest its money in other places," he said. The Home Works units were designed to fit into the supermarket chain's stores in the 8,000-sq.-ft. to 20,000-sq.-ft. range. Safeway considers these stores obsolete for grocery sales and is replacing them with its so-called "super stores" that typically are 40,000-plus sq. ft. (*NHCN*, Aug. 17, 1981.)

(Continued on page 54)

NEWSBREAKS

MORE GRACE CHANGES. Terry Daniels, who left W. R. Grace in 1979 to head Western Publishing, Milwaukee, returned as of April 1, as an executive vice president in charge of the Grace development group, where he will be responsible for all acquisition. At the same time, Edward H. Tutun, No. 2 man in the Grace retail group, has been given additional operating responsibility. All Grace's retail business will now report through him to retail executive vice president Robert Anderson.

HECHINGER TOPS $200 MILLION. Hechinger, Landover, Md., posted a 24% increase in annual sales to record its first $200 million fiscal year. The $210.6 million sales figure helped net earnings rise 26% to $8.6 million.

Wickes board cleans house; Sigoloff elected chairman

Drum, prez for 2 weeks, resigns

SAN DIEGO—The board of directors of Wickes Cos. has abruptly replaced long-time chairman and ceo, E. L. McNeely, with Sanford Sigoloff, a former Daylin president and most recently, vice chairman of Kaufman and Broad, one of the nation's largest homebuilders.

The board's decision is the latest, and most far-reaching in a series of rapid top-management changes that have rocked the debt-ridden company in the past month, following a company report that Wickes expected an $80 million loss for the fiscal year ended Jan. 31.

Among those changes was the resignation of John Drum, only two weeks after being named president and coo, following the unexpected March 15th resignation of Wickes' former president, David Primuth. Primuth, who played a major part in the recent negotiations to divest several Wickes subsidiaries (*NHCN*, March 29), is reportedly staying on as "senior consultant." Meanwhile, James Wilson, senior vp and chief financial officer, and Richard Cotton, senior vp human resources, have resigned, as has Clark Johnson, the executive vp who headed a group of investors which purchased the company's McGregor sporting goods division. McNeely, Primuth, Drum and Johnson have also resigned from Wickes' board of directors.

At least for the moment, last month's appointment of Les L. Hagen as president of 227-unit Wickes Lumber will not be affected. Wickes Lumber accounts for 47% of the corporation's total revenue.

Wickes, which has been severely punished during the 41-

(Continued on page 55)

Lowe's starts stockpiling retail-oriented locations

By Kenneth Schept
NHCN senior editor

NORTH WILKESBORO, N.C.—Lowe's has embarked on a three-year plan to build its land bank of potential store sites, according to Floyd Dean, the company's new director of real estate.

New purchases will generally square off the 229-store chain's current, 19-state market area, he said, although the firm will probably enter states adjacent to its current turf, which extends across the South and through the southern Midwest.

New locations will be more retail-oriented than previously. Five stores will open during the next six months in several states, including Florida, Arkansas and Kentucky, according to Dean.

Ultimately, new stores will be 14,000 sq. ft., with the storage building, now freestanding, consolidated with the retail space, according to Lowe's chairman, Robert Strickland.

(Continued on page 54)

Former Daylin president, Sanford C. Sigoloff, has replaced E. L. McNeely as chairman of financially troubled Wickes Cos.

Chicago show turnout: Quality over quantity

CHICAGO—The official attendance count was reportedly up, but many retailers and manufacturers walking the floor or manning a booth at McCormick Place were disappointed with the overall turnout at this year's seventh annual Home Center Show.

Based on unaudited registered and preregistered tallies, the show's sponsor Vance Publishing estimated that this year's attendance was "slightly ahead" of the 1981 total of 25,285. However, industry executives questioned by *NHCN* at the show were by and large in agreement that traffic on both levels of the convention center was light.

Even Scotty's president Ray Cooney, a member of the Show's Advisory Board, expressed some dismay. "I've heard that 3,000 more people preregistered than last year, but that doesn't mean they all came." Bill Levy, vice president of the Louisville-based Levy's Lumber and Building Centers, looked at the attendance figures in a different way.

"It's our show, and the quality of people here is what's important, not the quantity," he said.

The sparse crowds allowed dealers to spend more time with exhibiting vendors and competitors to discuss new products, co-op deals, new ideas and, of course, the economy. Several were enthusiastic about what they came away with.

Forest City president Ed Seymour compared the show to "a smorgasbord for a man who hasn't eaten in two days. I get 100 ideas to bring back to Cleveland, then I sober from my euphoria and use the best three or four."

However, not all retailers thought three was much new to see in this year's offerings. "If you removed all the bug poppers, ceiling fans and kerosene heaters from the floor, you could hold the show in the basement of McCormick Inn," said Busy Beaver buyer Tony Clark. (There were 36 ceiling fan manufacturers exhibiting, 19 for kerosene heaters and 14 for electric bug killers.) "It looks just like last year's Hardware Show."

It is difficult to gauge from those manufacturers that were showing new fare how responsive retailers were to taking on expanded lines. For instance, Robert Mason, southwest sales manager for National Wood Industries, Aumsville, Ore., which introduced a line of pine laminate furniture, felt that "retail buyers don't like to experiment or test items in this economy." And H. B. Fuller's general sales manager Frank Devlin said there had been little dealer response to the new clear sealant his firm was showing. "The show has not produced enough traffic and buyers are being a lot more careful."

On the other hand, Ted Brogioli of Gibco Services, Birmingham, Mich., said his company had gotten "more substantial, bonafide leads" for its new DIY veneer and decorative products "than in the past two shows. People are always looking for something new."

New products and ideas were not the only things some retailers flew into the show for. Tom Gritz, vice president of the newly formed Hal's Hardware and Lumber, which plans to open with two stores in the Milwaukee market on May 6, said that "with the economy the way it is, I think this will be a very good show to strike some buying deals with the vendors.

"This is particularly important to me because I'm Hal's whole buying department and while our stores will be 60% supplied by local vendors, and the Waxman and Sentry groups, I have to write orders

(Continued on page 53)

Lowe's chairman, Bob Strickland (l.) kidded Ole's president, Harvey Knell (c.) and Handyman president, Harvey Rosen during NHCN's *Home Center Show party last month: "The reason I come to the Home Center Show is because it's the only place where there are more products on display than at Hechinger." For more on the industry fete, see page 52. Complete Home Center Show coverage begins on page 3.*

Published by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022 (ISSN 0192-6772) Second Class Postage Paid at New York & Additional Mailing Offices

Main thrust in Dallas

Payless plans $31M expansion

By John Caulfield
NHCN associate editor

KANSAS CITY, Mo.—Richard Hemer put it simply: "When we're looking to expand and are choosing sites, the three most important elements are location, location and location."

As vice president/construction for Payless Cashways, Hemer has helped orchestrate a 13.3% average annual unit growth rate—from 59 to 86 stores—over the last four years, and will direct the building of 12 stores this year at an estimated cost, including inventory, of $31.2 million.

In its 1982 expansion drive, the $479 million Payless is executing a two-pronged attack: it is intensifying its market dominance in the Dallas-Fort Worth area with the addition of five new stores to join the seven already operating there, and it is looking to service smaller cities that generally do not have a lot of home centers but nonetheless have SMSA populations close to 100,000.

"We're paying closer attention to the particular demographics of a market than in the past," Hemer explained. "For instance, Dallas certainly wasn't the growth city it is today six years ago, but we've been more concerned with the direction a market is headed, not where it is now.

"And we are also moving into cities where a store of our kind is needed. We never shy away from competition if we feel the area isn't being serviced adequately, but we aren't looking openly for confrontation, either."

Payless Cashways' 1982 expansion

City	Population
Cedar Rapids, Iowa*	110,400
Colleyville, Tex.†	3,368
Decatur, Ill.*	88,600
Davenport, Iowa	101,800
Denton, Tex.*	45,800
Irving, Tex.†	107,000
Lewisville, Tex.†	28,500
Plano, Tex.†	50,200
Quincy, Ill.*	42,700
Raytown, Mo.	32,000
Springfield, Mo.*	87,500
White Settlement, Tex.†	13,449

**new markets*
†suburbs of Dallas-Fort Worth NHCN chart

A recent listing compiled by Robert Simonson and Daniel Barry, senior retail analysts at Kidder, Peabody & Co. in New York, included Payless Cashways as one of the top six "high growth" retailers in the country along with Wal-Mart and Toys "R" Us.

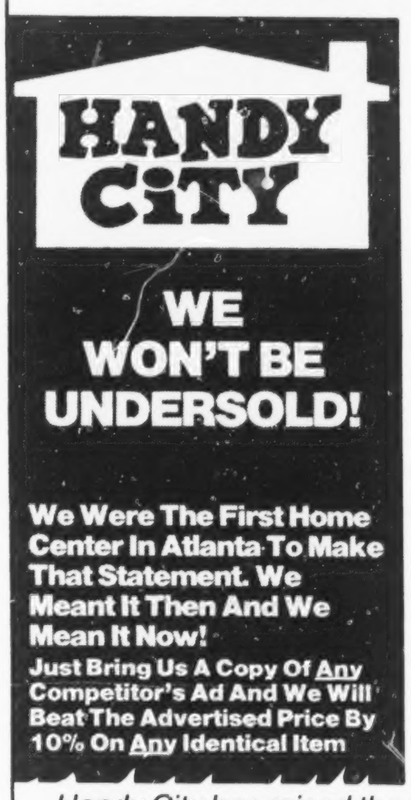
According to this study, Payless' growth in selling floor space between 1976 and 1980 increased 18%. Its estimated square footage for 1981-86 will expand by 13%, with a concomitant growth in earnings over that period of 25% annually.

"We didn't give those figures to Kidder, but based on our past history we don't dispute them," said Wayne Zetzman, Payless' vice president/finance. "Over the past 10 years, we've had a compounded annual earnings increase of 25%, and we see continued strength over the next decade in the retail lumber and building materials market."

Hemer said that all the

(Continued on page 54)

Home Depot wins battle in Atlanta price war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WE WON'T BE UNDERSOLD!
We Were The First Home Center In Atlanta To Make That Statement. We Meant It Then And We Mean It Now!
Just Bring Us A Copy Of Any Competitor's Ad And We Will Beat The Advertised Price By 10% On Any Identical Item

Effective March 1, 1982

Handy City's business policy is to offer our customers a broad merchandise selection within major home center departments, such as, Paint, Hardware, Plumbing, Electrical, Lumber and Building Materials, in a convenient retail environment at competitive prices.

On selected sale merchandise for promotional periods only, Handy City will offer our customers special low, low pricing. This will enable our customers to realize additional savings and merchandise value. As a result, we will discontinue competing on an item for item basis based upon our competitors' advertised prices.

Handy City has raised the "white flag" in at least one battle in Atlanta with The Home Depot. Last fall, the W. R. Grace-owned chain said it would beat its competitors' advertised prices by 10% (l.) in apparent response to a Home Depot campaign guaranteeing 5% off any competitor's ad price. Last month in The Atlanta Journal, *Handy City announced an end to the policy.*

All American lumber dept. comes in out of the rain

DOWNEY, Calif.—Officials of All American Home Center weren't the least disappointed when a severe winter storm hit southern California the day they officially dedicated their newly expanded lumber and building materials department.

Part of the $300,000 project, which enlarged the department 15,000 sq. ft. to 48,000 sq. ft., included installation of a new roof—and the downpour outside was a perfect accompaniment to the mid-March dedication ceremony.

"We arranged it so it would rain today," joked Irving Gertler, founder and president of the 160,000-sq.-ft. independent which his family has operated in this Los Angeles suburb for 23 years.

The three-month-long revamping of the formerly open-air building materials department is "to gear up for steadier year-round sales," Tom Farrell, merchandising manager, said. "When weather's bad, it's difficult to get a customer to go outside to choose lumber. It's not easy to select a 2x4 with an umbrella in one hand."

Building materials, one of the store's 17 departments, is "our No. 1 department [in sales] and is growing," said Gertler, adding that the 100% DIY operation had $17 million in sales in 1981.

Farrell said the department's enlargement "more than tripled" sku's on hand, resulting in an increase in selection of lumber and adding higher grades and additional species. Storewide, All American maintains over 85,000 sku's and a $5 million inventory. The mammoth physical plant, located on a 10-acre site with parking for 450 cars, consists of a 120,000-sq.-ft. sales floor, a 36,500-sq.-ft. warehouse and 3,500-sq.-ft. office.

Tom Thomas, lumber manager, said the additional floor space "means that we now can buy much greater quantities of lumber—full truckloads—enabling us to buy at lower prices and pass the savings on to our customers."

Checkout stands in the department have been increased to six from four located near a new entrance and exit area which includes a vehicle loading zone.

Gertler, noting that the store has expanded departments nine times since moving to its current location from its original site in 1970, said, "This is probably our last big physical change in our store. There comes a time when the physical plant is so big that if you make it any bigger it will take the customer 10 years to get to the other end."

Western DIY show draws mixed reviews

CHICAGO—Plans for a western regional Home Center Show scheduled for Oct. 21-23, 1983, were announced during the National Home Center Show here last month.

The new effort is aimed at distributors and smaller chains serving 11 western states, according to the exhibition's sponsor, Vance Publishing, which also put on the Chicago show.

Early response to the Western Home Center and Building Materials Show, as it's being called, was mixed.

The cost of attending a show may dissuade some large retail chains and manufacturers from participating, especially since by then there will be two annual National Hardware Shows as well as the National Home Center Show.

According to the sponsor of the new show, however, it will be filling a need in the industry.

"The response has been positive," said John Berry, director of the trade show division of Vance. "There really isn't a show out there tailored to the needs of that market. With the end of the California building boom, retailers there want to get more and more into DIY."

Among major retailers that may be absent from the western show are W. R. Grace. The western region of that operation includes three chains with about 50 stores.

"It's a big mistake," Frank Denny said of the new show. Denny, president of the Grace home center division, feared that the southern California effort would dilute attendance at the National Home Center Show.

A similar view was expressed by Wally Leyshon, director of corporate planning for Payless Cashways, the fourth-largest home center operation in retail volume with almost $500,000 in yearly sales.

The national show offers an opportunity for industry executives to meet with their peers, he said. A second show might reduce attendance at the main show, he felt. In addition, manufacturers ultimately would be forced to pass on the added cost of show participation to retailers.

"The more shows you have, the higher the overhead costs, the higher the cost of the product," said Michael Bergan, plumbing buyer for Wolohan Lumber, Saginaw, Mich. "It's going to reach the point that

(Continued on page 50)

Caulfield named associate editor

Caulfield

NEW YORK—*National Home Center News* has announced the promotion of John Caulfield to associate editor.

Caulfield, who joined the staff in February 1980, covers tools, plumbing, electricals, paint, wall decor and wholesaling, working out of the New York office.

He graduated with a B.A. in English from Boston College in 1975 and received a master's degree in journalism from Marquette University, Milwaukee, in 1977. Caulfield previously worked as a general clerk in the legal department of A.T.&T., New York.

Feb. starts fall 10.9% from Jan.

WASHINGTON—February's rate of single-family housing starts fell 10.9% from January to 533,000 units, the first decline in four months, according to the latest figures from the Commerce Department.

Single-family permits in February also registered the first drop since October with 450,000 seasonally adjusted permits issued.

On the strength of multi-family building, total seasonally adjusted starts for February reached 953,000, a 6.5% increase over January.

Experts suggested that the gain was probably due in part to the backlog of building caused by January's abnormally inclement weather nationwide.

Regionally, however, total starts fell from January levels in the North Central and West, while the rate in the Northeast increased dramatically to 141,000 seasonally adjusted starts, compared with 74,000 in February.

The South registered an 11.9% increase over January figures to 603,000 units, remaining consistently the strongest home-building region with gains over the past five months.

"There have been no major weather interruptions in the South, while there's been massive rainfall in the West and bad weather in the North Central," said Barbara Alexander, vice president and housing analyst for Smith Barney.

"Maybe part of the reason the South looks stronger is that everything else looks so bad," she said.

Compared to a year ago, seasonally adjusted starts and permits remain off for all regions.

While high mortgage interest rates are most often cited as the single most important factor in inhibiting housing's recovery, Alexander pointed out that if rates decline and demand for mortgage money increases, sufficient funds may not be available.

According to the Federal Home Loan Bank Board, savings and loans have under $5 billion in available mortgages compared with almost $100 billion at the end of the 1970's.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 8. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 8 April 12, 1982

Special Home Center Show Coverage

Lux: Adapt strategies to tap European market

CHICAGO—The projected rapid growth of the European DIY market throughout the 1980's may prompt American manufacturers of home improvement products to look increasingly eastward in targeting their marketing strategies.

However, those markets bear many differences from the United States in terms of customer preference, advertising, pricing structures and distribution channels that will require American producers to adapt both their products and promotions accordingly.

This message was delivered to an audience of domestic and international home center industry executives by Harald Lux, managing director for LUX International, a West German marketing organization. He spoke at this year's Home Center Show International Conference.

Drawing from an extensive survey his company conducted, comparing the French, German and United States markets, Lux estimated that while "the $24.2 billion American home center industry" would expand by 1990 to $40.4 billion (an average annual rate of 4.8%), West Germany's growth over the same period would hit 7% annually to $8.67 billion, France's DIY industry, he said, would increase to $7.1 billion by 1990, an average annual growth rate of 6.5% and a 10-year aggregate rate of 86%.

Emphasizing that "in marketing terms, there is no Europe," Lux described the economic and retail differences of the three nations.

Half of all the DIY volume generated in Europe comes from France and Germany, which have a combined market size about one-third the United States's, with one-half the population. However, while 64% of the American population is engaged in some form of DIY activity, these figures are only 49% for Germany and 23% for France. Lux estimated that the German market is about five years behind the United States in maturity and three years ahead of France.

He noted that the predominant product groups in all three countries were lumber and building materials, representing 43% of total American sales, 33% in Germany and 24% in France. But, "a heavy emphasis is on construction-type projects in Germany and the United States, while France tends to concentrate more on decoration."

Lux observed that the French and German consumer is highly quality-conscious and, surprisingly, the German DIY customer will buy products in a specialized store at a preference rate three times as high as in the United States; for France, the preference rate toward specialty outlets is twice as high as in America. "A particular feature in France," he explained, "is the important role played by department stores. For instance, the Bazar de l'Hôtel de Ville, a well-known Paris department store, is one of the largest home centers there."

In Germany, home centers

(Continued on page 50)

Comparison of DIY operations

Average nome center	U.S.	France	Germany
Size (sq. ft.)	13,200	11,600	9,200
Sales per store (in millions)	$2.02	$1.4	$0.75
Sales per square foot	$153	$117	$82
Sales per employee	$95,000	$105,000	$132,000
Gross profit	29.6%	31.7%	34.0%
Net profit	3.1%	4.5%	3.0%
DIY customer (in millions)	139	12	30
% of population	64	23	49
"Active" DIY customer (in millions)	28.4	2.7	10.8
% of population	13.0	5.5	17.5
Average annual DIY expenditure by customer	$507	$168	$335
Building material and home center units % of market share	44	55	61

Grace is a prime example in seminar on acquisitions

CHICAGO—W. R. Grace is looking for home center chains to buy in the Sunbelt, acknowledged Frank Denny, Grace home center division president, at a seminar on mergers and acquisitions at the Home Center Show last month.

Wickes, however, a conglomerate that, like Grace, generates about $1 billion in annual building material sales, is not seeking new ventures, according to Paul Hylbert, a vice president.

Hylbert explained that the company was struggling with the unexpectedly high debt service incurred from Wickes' 1980 purchase of 750 Gambles hard line hardware stores.

Indicative of the company's problem, Hylbert was subsituting at the seminar for the planned speaker, former Wickes president David Primuth, who resigned a day earlier, March 15.

"The acquisition business is also in a recession," said Denny. "The cost of acquisition capital is 16% to 20% this year."

When Gambles was purchased by Wickes, interest rates were about 10%, Hylbert said.

Wickes senior vice president Paul Hylbert filled in for departing Wickes president David Primuth at the Home Center Show seminar on acquisitions and mergers.

"We factored in a 30%-40% increase in rates, but rates doubled," he said.

Wickes' debt service for Gambles is now $180 million annually, according to Hylbert.

The cost of money, however, is not the only factor slowing acquisition activity.

"The economy has forced potential acquisitions to leverage

(Continued on page 54)

Panel reviews sales techniques

CHICAGO—Morton Bernstein recently walked into a home center to look at kitchen cabinets and was told by a salesman to wait 30 days "because then they'll be on sale."

That example was among counterproductive sales techniques discussed by Bernstein, president, Lawrence Building Materials, Harrisburg, Pa., in a seminar titled "Motivating, Communication, Selling."

The seminar, chaired by Harvey Rosen, president, Handyman of California, San Diego, included panelists Bernstein, formerly executive vp and gm of Grossman's; Candace Kilburn, director of human resources, Handyman, and William Sharp, consultant and partner with PERCON, Kansas City, a sales consulting firm.

Bernstein asserted that the connotation of "self-service" stores is bad and that stores that want to emphasize courteous treatment of customers might consider referring to themselves as "self-selection" to emphasize that the salesman still has a role to perform.

Abandoning "service with a smile" has pitfalls, warned Sharp, co-author of a sales/management training course, "Around Hardware and Home Center Stores, Everybody Sells."

"The first 10 seconds the customer is in the store are more important than the subsequent 10 minutes," Sharp asserted. "Is it possible to create an entirely negative or positive image in 10 seconds? You bet it is."

Sharp said he once hung a sign around his neck with the letters M, M, F and I on it before visiting a home center. When salesmen asked him its meaning, he responded, "Make Me Feel Important."

The initial greeting doesn't require grabbing the customer's hand or slapping him on the back, Sharp says, but rather to simply acknowledge the customer's presence: "He does like to feel someone knows he has entered the store."

Sharp added, "A good repeat customer should be asked how the last project went."

In closing the sale, Sharp said that 50% of salesmen don't ask the customer to buy anything—"for some reason they expect the customer to take the initiative, yet 80% of the customers won't buy unless they're asked."

Five years ago, many retailers considered sales training programs of marginal necessity, but now many are being "more assertive about training," Sharp commented. Management should consider frequent sales meetings—at least once a week—to remind the sales force of the perennial truth of such sales maxims as "the customer is king," Sharp said.

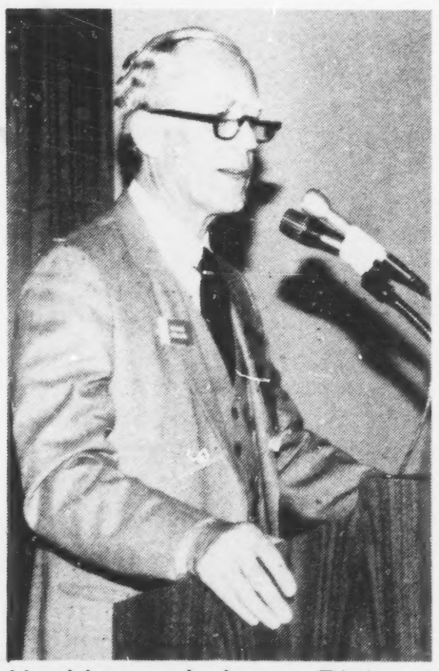
According to statistics cited by Sharp, 3% of undergraduates polled said they intend to go into sales, yet 48% of college graduates eventually end up in sales and marketing jobs.

Hechinger's England:

'Shakeout' ahead for retailing

CHICAGO—This year and next will bring "a great shakeout in retailing," Hechinger chairman Richard England told European and Japanese retailers and manufacturers at the International Home Center Marketing Conference last month.

"The retail amateurs will drop out," he said, citing the recent financial reports from retail giants Sears, K mart and Montgomery Ward as an indication of the difficult times that are challenging all retailers.



Hechinger chairman Richard England told foreign retailers at last month's Home Center Show of an impending "shakeout in retailing." NHCN photo

About the DIY industry, England noted, "they'll be a lot of casualties. Builder yards that don't get into the home center business seriously are in trouble." He also indicated that discount mass merchants which try to sell home center-type products will find it difficult to continue competing in the category.

For the pure home center, however, he said, "We have a good market. Professional mechanics certainly aren't getting less expensive to hire."

Jim Gee Jr., president of Chicago-based Gee Lumber, provided a different outlook in describing his 12-unit, $29 million chain's no-frills retailing concept, which he says will become more popular as the 1990's approach.

In the seminar entitled "What's Happening in United States Home Center Retailing," Gee explained that he views young homeowners today as seeking a "simpler life" than their parents.

"This generation is more comfortable in informal shopping surroundings," he added.

Gee tries to cater to his customers' preferences with narrow aisles and hand-made signs, a sort of "utilitarian look," he noted.

The retailer uses very little departmental signing.

"We don't want the customer to know where the product is," he explained bluntly. "We feel our stores are comfortable and there's no reason to hurry the customer out. We want to expose him to many sku's.

"Of course, we can direct him to the display or products he wants if he asks.

"By 1990," he said, "bright signs will be relatively unimportant. The home center will be well-stocked but not greatly displayed. The shoppers are smart. They can figure out they're paying for the good looks."

England and the Hechinger chain, on the other hand, espouse "wide aisles and bright, shiny floors." Good housekeeping equates with good inventory control, he said.

"Otherwise," England added, "it leads to sloppy handling by employees and thefts."

Name tags are "musts" for Hechinger sales personnel, England added, because "most people act kinder when they know they are identified by a badge."

Product success depends on a 'total commitment'

CHICAGO—"We follow one universal code: Success is contingent on making a total commitment to a product or a department. Anything less would be disastrous."

So said Harold and Mel Cohen, general manager and president, respectively, of $26 million Somerville Lumber, in their seminar at the recent Home Center Show, discussing their successes and failures in merchandising new products, new product categories and big-ticket packages.

Also speaking on the subject were Robert McFarland, executive vice president of the 39-unit Erb Lumber (who detailed his chain's buying strategy), and Bernard Niehaus, president of Niehaus Lumber in Indiana (who spoke about developing consumer departments in essentially contractor-oriented stores).

The Cohens' record of success in constructing their operation is quite remarkable: Somerville Lumber does $650 per square foot in sales, with a GMROI of 280% and gross margin of 38%.

Recently, the store successfully remerchandised its bath and window/door departments by making better use of display areas, adding high-end products and working closely with suppliers and manufacturers. "It is also mandatory that, when you introduce a new product or department in your stores, you train and re-train your employees," said Harold Cohen. Somerville retains a director of training for its workers.

It now has eight complete bath setups, 125 vanities and a working Jacuzzi display in its bath area which now contributes 8% of the store's total revenue (plumbing as a whole represents 18%). The department is 3,500 sq. ft. and the average bath sale is now about $400. Somerville has also upped the top bath price point from $179 before the renovation to $439

(Continued on page 50)

New Western show

(Continued from page 2)

the customer won't pay the price."

The president of a major California-based chain, however, noted that a local show could be good for area dealers.

The regional idea is drawing support from some manufacturers, such as Georgia-Pacific, which has already tentatively arranged for booth space.

"We'll be taking a closer look and getting input from our distributors in that marketing area," said Sam Gaddis, national sales manager.

"We're going to attend," said Robert Dell, vice president of sales for Melard Manufacturing, Passaic, N.J. "At a regional show we may find a lot of smaller home centers that wouldn't go to the national show."

Among the big-gun manufacturers having second thoughts about the second show is Stanley Tools. It reportedly costs that company $100,000 to attend a major trade show, including $27,000 just for booth construction.

"We're going to 'show' the industry to death," said Stanley president William Butz. "It's the wrong time for another show, with rising industry costs. What are you going to see different?"

"I would not be in favor of the show and we're located in California," said Frank Xavier, of Perma-Bilt Industries.

"I'm totally against the Anaheim Show. We've spent $10,000 in Chicago and it's becoming very expensive to attend any of the shows," said Robert M. Williams, president, Genova, the Michigan-based plumbing manufacturer.

Actually, costs at the western show may be less than for the recent national show at McCormick Place, Chicago.

According to Marvin Park and Assocs., which sold space at the national show and is handling the western effort, booths in Anaheim will be priced at $8 per square foot, or $800 for a 10x10 area and $1,600 for a 10x20. Equivalent space at McCormick Place cost $1,100 and $2,200 respectively.

The show is planned for Oct. 21-23, 1983, at the Anaheim Convention Center, with seminars at the nearby Anaheim Marriott.

About 100,000 sq. ft. of exhibition space has been reserved for the show, according to Robert Sherwood, convention sales director for the Anaheim Convention Center.

Product success depends

(Continued from page 3)

now.

With doors/windows, the Cohens employed the assistance of its supplier, Andersen Windows, to redesign the area which is now 4,500 sq. ft. In 1981, after the remerchandising, the department's sales increased 25% to $1.3 million.

However, not every venture Somerville tried has proven successful. "Our entry into the automotives business was a failure," explained Harold Cohen, "probably because we were too cocky and too much in love with our past triumphs. Plus, we didn't give the department the devotion it deserved."

Erb's McFarland also saw his chain's automotive department falter and eventually discontinued it because "it was taking up too much floor space and not producing sufficiently." (Erb looks for a return on investment in a new department of 35%-40%, with gross margins of 26%-31%.)

In merchandising products, however, Erb Lumber has had more hits than misses, and McFarland described the three things the chain uses in its merchandising:

In buying products, Erb categorizes its product line order of priority, and when it decides to introduce a new product, it has to also decide where that product fits in the priority listing, in terms of image, whether it is right for the market and whether the individual store can handle the product physically.

Selling the product requires Erb to train its store personnel so that they are acquainted with it and how it should be marketed. (McFarland noted that compensation programs for employees are a good incentive for this kind of selling.) "It's also essential that you set margin goals and price strategies especially when you're trying to buy your way into the market," he said.

The third element to Erb's merchandising plan is accountability. "Each department should be a profit center," McFarland explained, "and you don't need sophisticated accounting and computers to develop new departments." He suggested that retailers establish allocation levels before such a department opens.

"The most significant thing to remember when you're taking on a new product line or starting a department is to have a well-worked out plan," he said. "And if it doesn't work, move on."

Niehaus runs a 30,000-sq.-ft. store which is 67% contractor sales, and he admitted that in the past he rarely gave much thought to developing a bath/plumbing department.

"But nothing damages a customer's confidence more than a store not having a key product for him to complete a DIY project," Niehaus said.

So, in cooperation with his suppliers, Niehaus developed a plumbing department within the confines of his unit "that had some order to it, finally," he said. Sales in that department have gone from $247,000 in 1980 to an estimated $500,000 for this year.

Niehaus has also employed a good mix of media promotion, using live remote radio broadcasts from the store as well as direct mail, which he said was "the most effective and least used form of advertising."

Europe

(Continued from page 3)

still use product group merchandising, whereas the French retailers tend to lean toward merchandising techniques emphasizing brand-name recognition. However, price levels in both countries are higher than in the United States, due to the relatively high product quality, smaller size of the market, and industry fragmentation.

In terms of advertising, the United States and European markets are like night and day, said Lux. "While TV and radio advertising is commonly used in the United States, it is negligible in Germany and France.

"This is due to the lack of regional TV and the timing of TV advertising. In Germany, for instance, TV ads run only between 7:30 and 8:30 p.m., not exactly prime time. The money spent on television ads is, therefore, usually spent for sports sponsorship such as signs during soccer games."

In France, he continued, mail-order catalogs are used primarily because French newspapers do not accept inserts, and while newspaper ads represent the largest share of total advertising spending in Germany, the French prefer to use outdoor signing because, with the national newspapers dominating the market, regional ads commonly used by home centers are not effective.

Lux concluded his speech by making five suggestions to American companies contemplating importing their products to either of the two overseas countries:

- Packaging has to be adapted, in design and language, to suit the particular local market;
- American manufacturers should rely heavily on European marketing organs to prepare literature, manuals and DIY instructions;
- Delivery services need be adapted to conform with the market these manufacturers want to serve;
- "With market requirements being significantly influenced by government-operated safety organizations," Lux said manufacturers should be willing to adapt their products to local markets in collaboration with their importer.
- Communication and coordination of the entire importing operation has to be maintained.

"Successful implementation of a marketing program requires a close partnership," Lux said.

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Exclusive NHCN survey

Chains respond to growth by broadening mix

NATIONAL REPORT—Home centers' plumbing/bath departments are claiming a greater percentage of total volume than they did three years ago and DIY retailers are apparently responding to that growth with plans to increase their selection in the category, an *NHCN* survey indicated.

Among the 50 chains and independents polled, representing nearly 1,000 stores, dealers said plumbing/bath now accounted for 13.2% of their sales as compared to only 11.7% of sales three years ago.

The findings indicate that plumbing/bath is a growth area, and many respondents said they might increase their sku counts in the category in the next 18 months by as little as 1% to as high as 50%.

The department yields a relatively good average margin of 40.14%, according to the study, while averaging 15% of a home center's retail area.

The category shows average movement, the survey indicated. Thirty-six per cent of the respondents said the department produced four-five annual turns and another 24% reported it produced three-four turns. Twenty-nine per cent, however, said they got five turns or better with plumbing/bath products.

Most home centers still offer a mixture of plumbing products on cards and in bulk, according to the findings. Almost 70% of the dealers reported that between 25% and 75% of their plumbing merchandise is on cards.

Retailers reported a strong trend toward buying plumbing/bath products on a direct basis. Forty-three per cent of those questioned said they bought three-quarters or more of their plumbing/bath supplies directly.

According to the survey, however, almost 46% said they bought 50% or more of their goods through a two-step system.

Better than 40% of those surveyed said they situated the plumbing/bath department near or in the middle of their stores. There was no apparent trend among the other dealers who said they put the department in various perimeter locations of their units.

NHCN questioned dealers about 19 products in the category, specifically on the number of sku's they carried of each item and the turns each produced.

Plastic pipe showed the best movement with 5.72 average turns, followed closely by plastic fittings at 5.62, faucets at 5.59, and toilet seats at 5.48.

In fact, plastic fittings and pipe outdistanced their copper and brass counterparts easily. Copper fittings produced average turns of 4.57 with brass fittings reporting in at 4.51 turns.

Copper pipe had average turns of 4.87, but brass pipe, apparently making its way out of home centers, was reported in stock in less than a quarter of the companies surveyed and had a 4.10 average turn.

Solar and tankless water heaters are still not common plumbing/bath items. Only about 10% of those asked said they carried that merchandise.

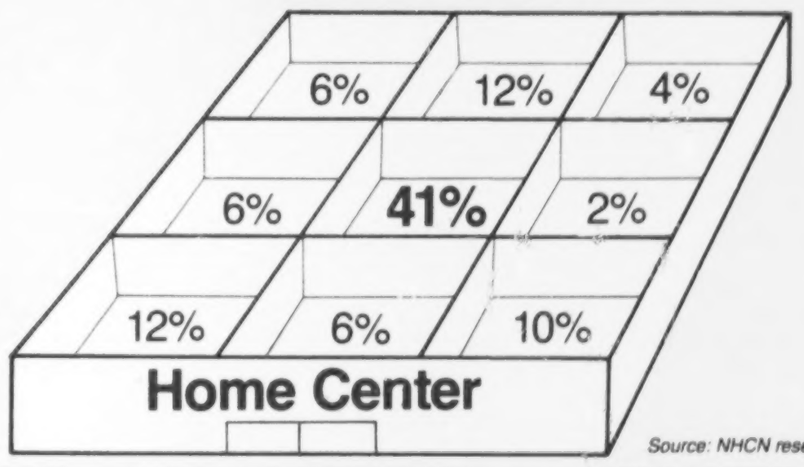
From the survey, the average plumbing/bath department would include: 10-50 faucets; 1-10 shower heads; 1-25 vanities; 1-25 mirrors; 1-10 water purifiers; 1-10 shower/tub kits; 1-10 shower doors; 1-10 toilets; 1-50 toilet seats; 1-25 sinks; more than 50 plastic fittings; 10-100 copper fittings; 1-50 brass fittings; 1-25 sku's of plastic pipe; 1-10 sku's of copper pipe; no brass pipe; 1-10 water heaters, and no solar or tankless water heaters.

Typical department statistics

Average department size: (as percentage of store size)	**15.0%**
Average Margin:	**40.1%**
Current department volume: (as percentage of total volume)	**13.2%**
Department volume, three years ago: (as percentage of total volume)	**11.7%**

Source: NHCN research

Location of plumbing/bath departments:



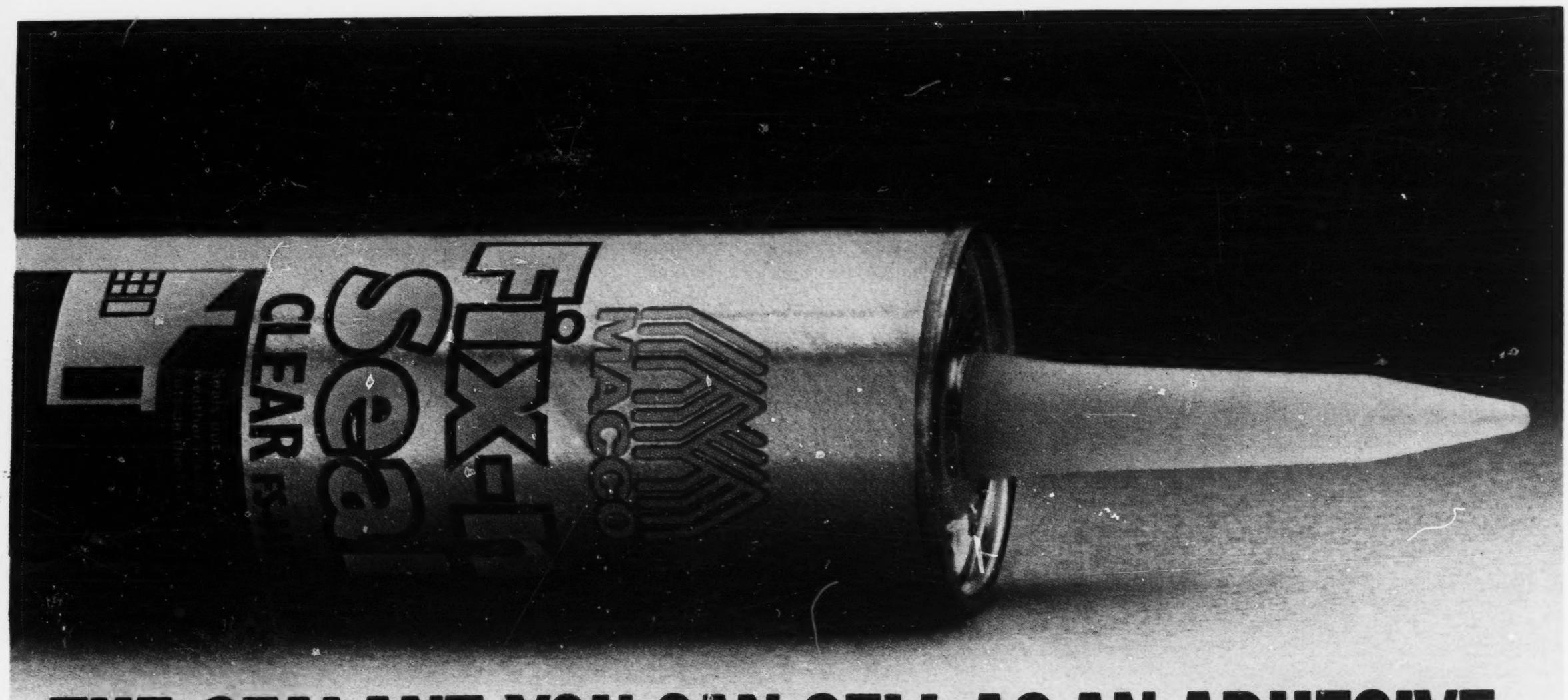
Source: NHCN research

Comparison of typical plumbing/bath selections

Item	Average turns	Number of stock-keeping units (sku's)	Item	Average turns	Number of stock-keeping units (sku's)
Plastic pipe	5.72	2% 53% 33% 12% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Shower heads**	4.61	2% 66% 28% 2% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+
Plastic fittings	5.62	5% 10% 7% 12% 29% 20% 17% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Copper fittings**	4.57	10% 15% 17% 29% 15% 2% 12% — 0 1-10 10-25 25-50 50-100 100-200 200+
Faucets	5.59	9% 42% 37% 5% 2% 5% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Vanities**	4.54	15% 24% 39% 15% 7% — 0 1-10 10-25 25-50 50-100 100-200 200+
Toilet seats	5.48	5% 26% 41% 26% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Brass fittings**	4.51	21% 15% 28% 13% 8% 10% 5% — 0 1-10 10-25 25-50 50-100 100-200 200+
Toilets	5.08	12% 76% 12% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Sinks**	4.44	62% 38% — 0 1-10 10-25 25-50 50-100 100-200 200+
Shower/tub kits	5.06	21% 70% 2% 7% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Water heaters**	4.33	8% 82% 10% — 0 1-10 10-25 25-50 50-100 100-200 200+
Copper pipe	4.87	14% 67% 14% 5% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Mirrors**	3.85	30% 33% 28% 7% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+
Shower doors	4.77	15% 81% 2% 2% — 0 1-10 10-25 25-50 50-100 100-200 200+	**Water purifiers**	3.75	45% 55% — 0 1-10 10-25 25-50 50-100 100-200 200+

NHCN's plumbing/bath survey revealed that plastic pipe had the greatest number of turns, averaging 5.72 among the respondents, for the 16 products in the study. The bar charts show the percentage of respondents who reported carrying the number of sku's in the indicated ranges for each product.

Source: NHCN research



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LUMBER REPORT

Experts say commodity prices have hit bottom

By Hawk Furman
Special to NHCN

The mood of the attendees at last month's Western Wood Products Assn. meeting in San Francisco was one of "Thank God a few of us in the lumber industry have survived."

Manufacturers and wholesalers were looking for ways to increase sales, widen margins, cut costs and preserve capital. The seminars on exporting, treated wood, machine stress-rated lumber and marketing were all aimed at providing new avenues for manufacturers to pursue their quests to keep their mills operating.

The prediction for lumber prices during the next few months is that prices will continue to fluctuate in a very narrow range. With the exception of Ponderosa pine, most experts feel the price of commodity lumber has hit the bottom for the year. Very few see any change in demand either in North America or the world market.

Ponderosa pine will most likely become an exceptional value in the coming weeks because of overproduction. The mills have log decks of pine that must be cut before the warm weather hits and the logs start to degrade.

Several major pine manufacturers who have been idle in the past few months are starting to cut their pine logs. Manufacturers who have been cutting white fir, fir and larch or Engleman spruce will return to manufacturing pine to clear their log decks.

Demand for Ponderosa pine should soften in the short-term as inventory builds; long-term, the situation could be radically different. If decks are not replenished in the spring, a shortage in Ponderosa pine could show up by July or August, and prices would bounce up dramatically. The next two months provide dealers with an optimum time to stock up on pine.

The Western spruce mills in Canada have curtailed production for several months, and most manufacturers and wholesalers at the meeting see even further cutbacks. Despite the low cost of stumpage, the s-p-f mills are bleeding because of high labor, production and transportation costs.

One of the bright spots for the spruce mills had been the demand for chips by the pulp and paper industry. This is changing as a result of a slackening in world demand for paper. Many Western Canadian pulp mills have curtailed production; several other mills are scheduled to close for extended periods. Without a market for chips, many mills will have to cut production further or close down. This adds support to the belief that s-p-f prices have bottomed out.

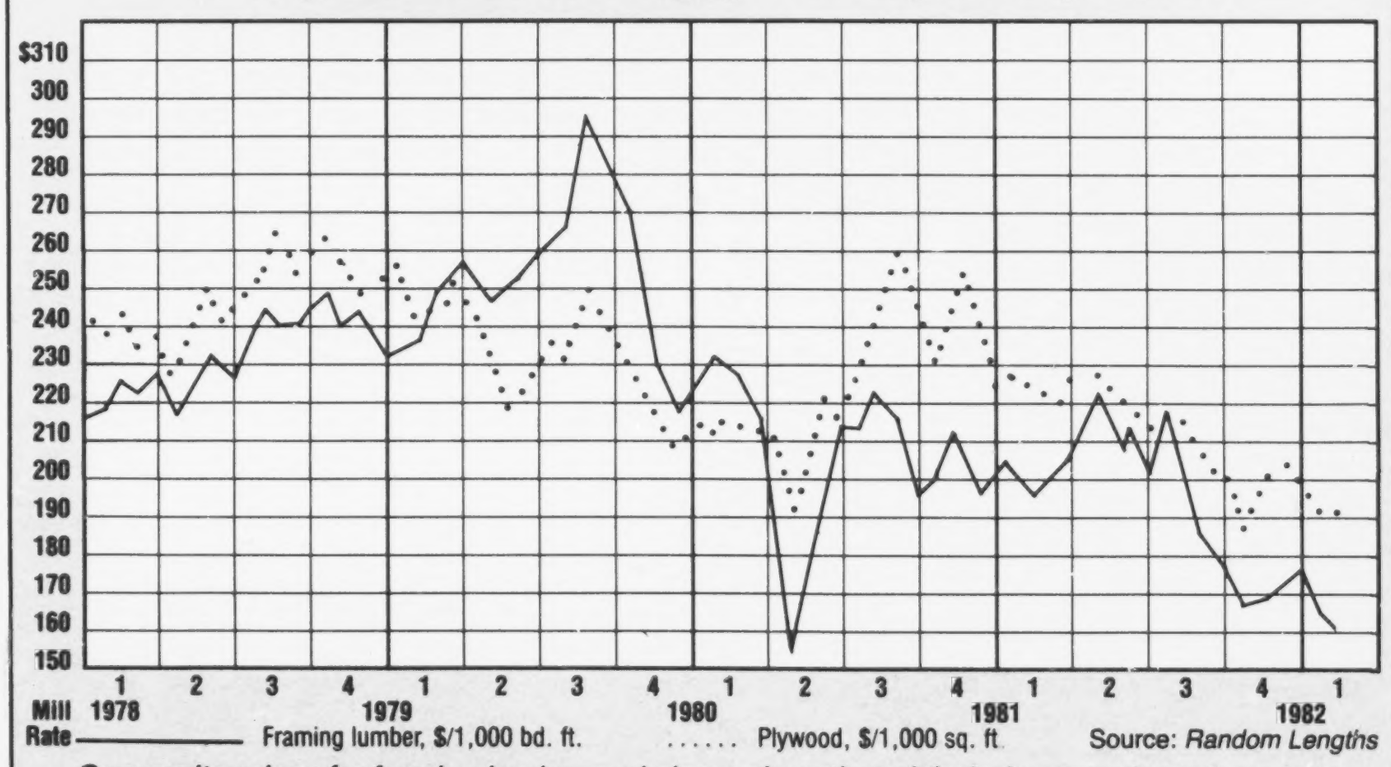
Transportation was also a major topic of conversation among the lumbermen. The selling price of lumber is often more a function of transportation costs than of manufacturing costs.

An Idaho mill, for example, offered an East Coast wholesaler stud grade green fir and larch studs at $95 per thousand board feet. The wholesaler, however, paid a British Columbian manufacturer $130 per thousand board feet for the same grade studs, since delivery costs were that much cheaper. Good advice for the retailer is to buy all lumber on a delivered basis.

Overall, the spirit of the lumbermen at the WWPA meeting was positive. Manufacturers and wholesalers are looking for constructive ways to make their industry healthy again.

Hawk Furman, vice president of sales, Furman Lumber, Boston

Composite lumber/plywood price profile



Source: *Random Lengths*

Composite prices for framing lumber and plywood continued their downward trend, as orders were soft and mills continue to curtail production.

Fewer sources may lead to price firmness, however. Composite prices for framing lumber dropped to $162 per thousand board feet in February, compared with $165 a month earlier.

The change in composite plywood prices was even less: $191 per thousand board feet in February; $192 in January.

Prices are based on Random Lengths *weighted measure of seven key plywood items and nine key framing items.*

LUMBER REPORT

19% of wood workers off the job

PORTLAND, Ore.—Weekly employment figures for the western wood products industry at the end of last month showed that 19,300, or 19%, of the industry's 102,000 sawmill workers were off the job.

According to statistics from the Western Wood Products Assn., 42,200, or 41%, of the workers were on short or curtailed shifts.

Of the 756 sawmills in the West, 176 were closed and 277 were operating at reduced levels, compared to 163 and 322 for the previous week, the association reported.

FUTURES

Two weeks ended March 19, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
March	139.50	133.00	139.00	136.00	1	247.50	130.60
May	149.00	137.50	148.10	140.80	3,419	220.30	137.50
July	158.80	147.60	157.60	150.50	1,590	224.50	147.60
Sept.	166.60	155.30	165.80	159.30	837	229.50	155.30
Nov.	167.90	157.10	166.80	160.00	719	224.50	157.10
Jan. '83	175.00	165.00	175.00	166.50	441	205.50	165.00
March	183.30	171.50	183.00	173.60	45	209.80	171.50

Total Contract Vol. (Through 3/18): 18,866 — **Previous Two Weeks: 26,139**
Total Open Interest (As of 3/18): 7,109 — **Previous Week: 7,930**
Cash Price: $133.28 — **Previous Week: $128.38** — **Year Ago: $148.96**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
March	171.70	163.00	167.30	163.80	23	252.00	163.00
May	175.30	166.20	170.90	167.80	2,086	241.00	166.20
July	180.60	171.60	176.00	172.70	696	219.00	171.60
Sept.	185.80	176.80	181.10	177.40	521	224.50	176.80
Nov.	189.90	181.20	185.50	182.00	241	226.50	181.20
Jan. '83	194.20	185.80	189.80	186.50	114	215.00	185.80

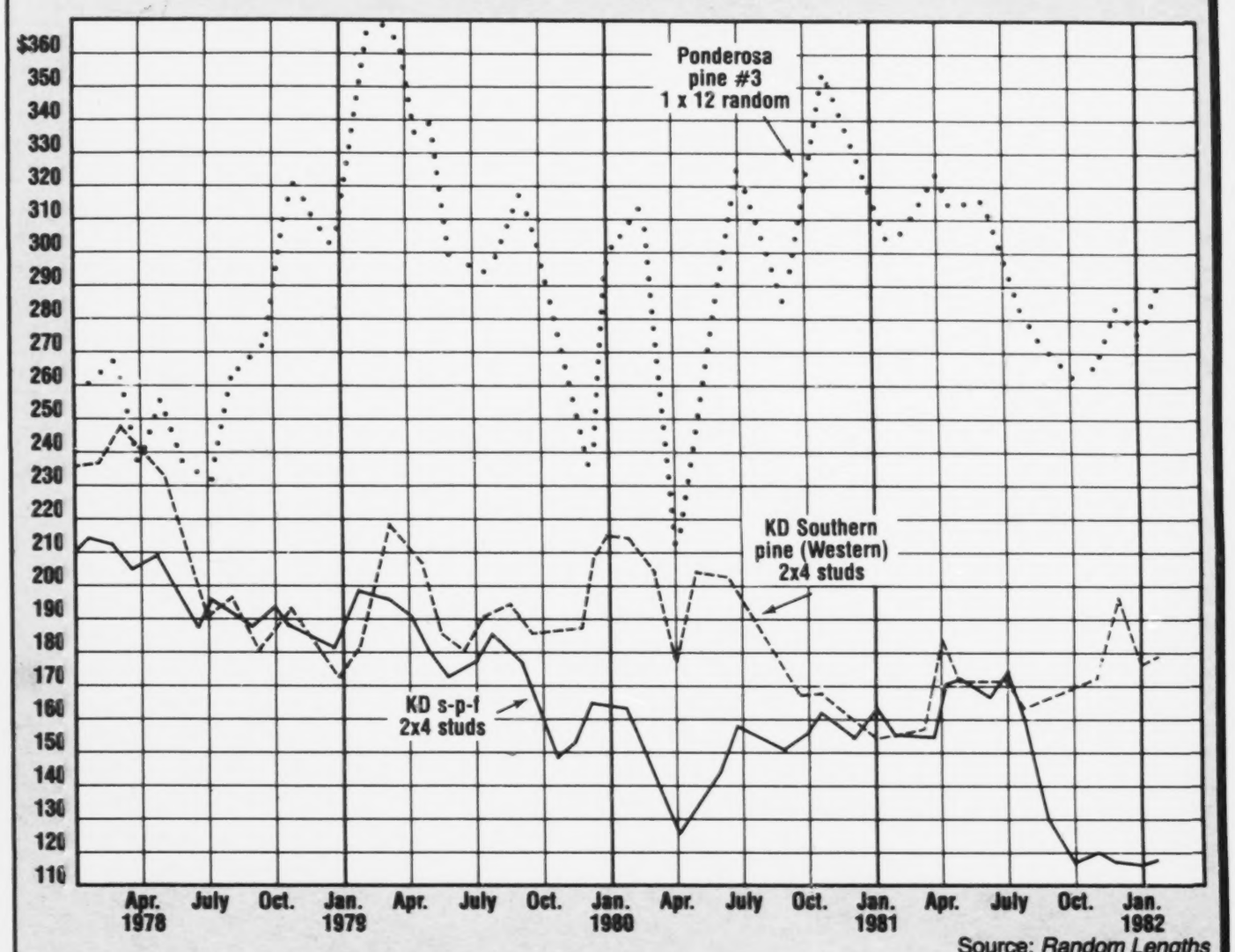
Total Contract Vol. (Through 3/19): 6,763 — **Previous Two Weeks: 7,339**
Total Open Interest (As of 3/18): 3,681 — **Previous Week: 3,911**
Cash Price: $171.50 — **Previous Week: $173.46** — **Year Ago: $200.90**

COMMODITY RESEARCH BUREAU INDEX:	This Week 250.5	Previous Week 249.2	Year Ago 294.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, March 18.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Monthly average prices for selected studs and boards were up for February compared with January.

While Ponderosa pine 1x12 #3 registered the greatest price hike averaging $290 per thousand board feet in February compared to $276 in January, those prices may move downward as demand slackens.

Southern pine 2x4's averaged $176 in February, with demand high from East Texas and Louisiana markets. The January average was $174.

Temporary lower rail rates to the South West boosted s-p-f 2x4 prices at the end of February so that the month's average was $119 per thousand board feet, a dollar more than the January average.

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FINANCIAL NEWS

Mfrs.' capital spending fell 12.3% in fourth qtr.

NEW YORK—Capital appropriations by the nation's 1,000 largest manufacturers, excluding the petroleum industry, fell to $16.1 billion in the final quarter of 1981, down 12.3% from the third quarter, according to a Conference Board report.

Although appropriations were down, actual spending rose 1.2% in the quarter. Appropriations for all manufacturers are expected to climb by 10% in 1982, and spending to rise by 9%, the board predicts.

"In view of the current economic weakness and generally low rates of capacity utilization, the expected 1982 increase of 15% in nonpetroleum appropriations is, in fact, quite strong," observed Lora S. Collins, a Conference Board analyst.

For 1981, manufacturers' appropriations totaled $106.4 billion, up 1.7% from 1980. Actual spending reached $102.2 billion, up 15.8% from 1980.

Rickel '81 sales up 14% to $187M

WOODBRIDGE, N.J.—Rickel Home Centers' sales rose 14% and operating earnings showed "a significant improvement" from the previous fiscal year, according to officials at the 31-store chain's parent, Supermarkets General.

For the year ended Jan. 30, Rickel's sales reached nearly $187 million as fourth-quarter volume hovered near the $44 million mark, officials said. The chain's actual operating profits, which totaled $4.2 million in fiscal 1980, were not disclosed at presstime.

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hines Lumber	12/31-4th qtr.	$ 59,615	$ 69,342	−14	−$ 1,870	$ 1,657	—
	12/31-Year	264,946	270,574	− 2	− 5,836	− 1,714	—
Payless Cashways	2/27-1st qtr.	90,827	84,474	8	1,377	1,948	−29
Supermarkets General	1/30-4th qtr.	800,758	723,406	11	14,449	9,323	55
	1/30-Year	2,999,379	2,628,851	14	30,256	26,067	16

*$ in thousands

Edward Hines posts '81 loss of $5.8M

CHICAGO—Continuing growth in its DIY business could not prevent a dismal fiscal 1981 at Edward Hines Lumber.

Company president Edward Hines reported a pretax loss of $10,856,000 and a net loss of $5,836,000 on sales of $264,946,000, off 2% from 1980 and 24% from 1979.

Fourth-quarter figures added to the gloom as the company reported a net loss of $1,870,000 on sales of $59,615,000, off 14% from the same quarter in 1980.

Officials pinned the results on lower-selling prices for lumber products and closure of their largest sawmill in Hines, Ore., for most of the year.

"Margins eroded in all business areas, particularly in Southern manufacturing operations, and fixed costs were spread over lower-dollar sales," Hines told shareholders in reporting 1981 financial results.

Unlike some of their other operations, however, Hines Lumber officials are looking favorably on their 25 home centers in the Chicago area.

"At this time, the company's 25 retail outlets are being studied," Hines said. "We believe them to have substantial potential on the basis of our widely respected name in the Greater Chicago Area, and continued growth is expected in the consumer do-it-yourself market."

He added, however, that the company is permanently closing its manufacturing operations in the South and will sell mills at Hope and Nashville, Ark., and Hazlehurst, Miss., as soon as practical.

STOCK PRICES

Companies with predominant home center sales

	As of 3/10	As of 3/17
Lowe's (NYSE)	14⅛	14
Payless Cashways (NYSE) [Furrow]	16⅜	15½
Scotty's (NYSE)	16½	15½

Over-the-counter stocks

	As of 3/17 Bid	Asked
Erb Lumber	7¾	9
Hechinger	16	16⅜
The Home Depot	12¾	13½
Pay 'N Pak	14½	14⅝
Wolohan Lumber	3¼	3½

Companies with significant home center sales

	As of 3/10	As of 3/17
Action Industries (AMEX) [Action Home Centers]	2⅜	2⅜
American Maize Products (AMEX) [Lloyd Lumber, Lundy-Briggs]	9⅜	9¼
Boise Cascade (NYSE)	28⅝	28⅛
Cyclops (NYSE) [Busy Beaver]	23	21¾
Diamond Int'l (NYSE)	40	37¾
Edison Brothers (NYSE) [Handyman, Homer's]	24	23⅞
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	13¼	12⅞
Forest City (AMEX)	11¾	11¼
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	35½	35⅝
Interco (NYSE) [Central Hardware]	43⅜	43⅛
Peavey (NYSE) [Fish, Peavey/Thunderbird]	17¼	17¼
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	12⅞	12¼
Supermarkets General (NYSE) [Rickel]	18⅝	19
Union Camp (NYSE) [Homecrafters]	46⅜	46½
Wickes (NYSE) [Wickes Lumber, Builders Emporium]	6½	4¾

Over-the-counter stocks

	As of 3/17 Bid	Asked
Dart Drug	12⅜	12⅝
Hines Lumber	17½	19
Pay 'n Save [Ernst, Von Tobel's, Yard Birds]	17	17⅛

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Kitchen photo feature . . . p. 15

National Home Center News®

Vol. 8, No. 9 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. April 26, 1982
$7 per year $2 per copy

DIY chains have edge among '81 winners . . .

NATIONAL REPORT—Although 1981 was generally better than 1980, it brought a mixed bag of results for the home center industry's publicly held companies.

A review of recently released annual reports and year-end figures clearly showed chains like Hechinger, The Home Depot, Payless Cashways and Pay 'N Pak, which cater to the DIYer, experiencing moderate to healthy growth. Some chains, such as Handyman, reported sales increases, but declining margins, in attempts to maintain market share in the sluggish economy.

Most showed a willingness to carry inventory levels in line with the growth of sales, based on comparisons of 1981 and 1980 year-end inventory figures.

In contrast, those chains with significant business with contractors saw operating results decrease from a year ago, or at best, increase only slightly. Among these companies were Erb Lumber, Lowe's and Wolohan Lumber. Not surprisingly, companies in this category exhibited a penchant for reducing inventory levels by year-end, improving the complexion of their balance sheets. A sample of the results shows:

Hechinger

- Net earnings rose 26% to $8.6 million. Sales passed the $200 million mark for the first time, rising 24% to $210.6 million from the fiscal year ended January 1981.
- Comparable store sales were up 12% from the previous year.
- While Hechinger opened only two new units during the year to lift its count to 31, its year-end inventory level has risen nearly 25% from the previous year to $32.1 million.

The Home Depot

- The opening of four Florida stores in late summer and fall, raising its store count to eight, helped net earnings grow 69% to $1.4 million. Sales increased 131% to $51.5 million compared to the fiscal year ended January 1981.
- Year-end inventory levels reached $11,263,000 compared to only $2,881,000 at the end of fiscal 1981.

Payless Cashways

- Net earnings hit $16.6 million, compared to $11 million in fiscal 1980 and $14.5 million in fiscal 1979.

(Continued on page 34)

Hechinger

Earnings as % of sales	Qtr.	Sales (in millions)
	1979	
2.6	1st	$33.2
3.6	2nd	37.2
3.9	3rd	38.8
4.7	4th	37.7
	1980	
3.0	1st	40.8
3.9	2nd	44.8
3.9	3rd	43.3
5.1	4th	41.6
	1981	
3.4	1st	51.9
3.8	2nd	57.7
4.0	3rd	54.4
5.2	4th	46.6

Fiscal year ends Jan. 31

. . . but lower inflation rate may create dilemma in '82

NEW YORK—Disinflation is rapidly becoming the new buzz word in business circles.

Whether this easing of inflation will help improve conditions for home center retailers in the near future, however, is still debatable.

"Retailers will have to be patient, but if inflation continues to stabilize, you're going to see a whole lot more disposable dollars in circulation," said Nick Gallopo, a partner for the accounting firm, Arthur Andersen & Co. Gallopo, who specializes in retail accounting, believes that lowered inflation rates could have an effect as early as the second half of 1982 in stimulating the economy toward recovery.

"Disinflation has got to be beneficial as customers realize they have greater purchasing power," echoed Rod Marques, vice president-finance for Forest City, the $120 million 21-store chain based in Cleveland.

Others aren't holding their breath.

(Continued on page 34)

Payless Cashway

Earnings as % of sales	Qtr.	Sales (in millions)
	1979	
2.7	1st	$ 50.6
4.9	2nd	82.0
4.7	3rd	92.8
5.2	4th	90.8
	1980	
1.7	1st	64.2
2.8	2nd	96.9
2.7	3rd	107.9
3.7	4th	114.1
	1981	
2.3	1st	84.5
3.7	2nd	128.0
3.5	3rd	137.2
4.0	4th	129.5

Fiscal year ends Nov. 30

Wickes' Sigoloff picks new team

By Brad Altman
West Coast editor

SAN DIEGO—Sanford Sigoloff, the corporate rescue artist recruited to take command at Wickes Cos. late last month, is moving fast to turn the beleaguered $4 billion retailer around.

Since Sigoloff became chairman, president and ceo of Wickes March 29, following the sudden early retirement of company patriarch E. L. McNeely and the resignations of five top-ranking executives (*NHCN*, April 12), five other board members have resigned, including T. W. Cline, a Wickes senior vp.

The changes were among a number of major developments that included:

- Assembly of a hand-picked management team, with the appointment and election of several new directors and officers from outside Wickes. Among them is Jeffrey Chanin, a bankruptcy lawyer who was instrumental in helping Sigoloff downsize Daylin, the ailing Los Angeles retailer, that Sigoloff brought back from bankruptcy.
- Installation of a 40-member "crisis management" team devoted to "conducting a thorough and complete audit of the company's operations, finances and personnel," according to a company spokesman.
- Completion of a transaction in which Wickes sold 75% of its MacGregor Golf subsidiary to a

(Continued on page 35)

NEWSBREAKS

STOCK SPLIT. The Home Depot has declared its second stock dividend of the year. The 5 for 4 stock split, contingent on shareholder approval, will increase authorized shares from four million to 10 million and is payable April 30.

SHER LEAVES LINDSLEY. Pat Sher has resigned as head of Lindsley Home Centers, the 40-store Evans' chain. He has been replaced by Hank Kirschner, former gmm for Evans' Grossman's.

PEAVEY MOVES HEADQUARTERS. Peavey, the grain merchandising and retail company, has moved the headquarters of its building supply division from Minneapolis to Watertown, S.D. According to Jerome Trebil, retail group vice president, the move was made to bring executives closer to the 30 units and two warehouses operating in the upper Midwest.

Chronic housing slump spurs lobbying fervor

250 lumbermen storm Capitol Hill

WASHINGTON—The Senator sat with legs crossed, reading glasses over his nose, studying a briefing card supplied by the National Lumber and Building Material Dealers Assn.

Doug Ashy, a short, solid man of great affability, stood opposite the Senator, leaning against the backrest of a chair. Ashy, a Louisiana lumber dealer, is president of the NLBMDA.

"Every voter in Louisiana is here," said Ashy, with a smile, noting the 16 men and women filling the office of Sen. Bennett Johnston Jr. (D-La.).

Ashy politely turned to the subject of his concern: the need for legislation that would help the housing industry. He stressed his and the NLBMDA's support for the Lugar bill.

Johnston remained cordially noncommittal.

"What we have to do is get this high deficit down," the Senator said. "All the

(Continued on page 4)

Sen. Bennett Johnston Jr. (l.) reviews a briefing card listing the legislative positions of the NLBMDA. Meeting with the senator are (from center) association president Doug Ashy, his wife Claire and Dennis Stine, head of the group's Louisiana chapter.

Lack of consensus hampers efforts

By Kenneth Schept
NHCN senior editor

NEW YORK—While everyone in the housing industry agrees this is the worst of times, there is little agreement about which path leads to recovery.

NHCN analysis

Housing starts were a meager 1.1 million in 1981, the worst performance since World War II. More than 25% of timber workers have been laid off and prices have hit bottom. Existing homes are appreciating slowly and resale is sluggish.

Building material dealers, meanwhile, claim related business is off significantly. And many savings and loans are in jeopardy.

Yet groups representing forest products, builders, realtors, retailers and lenders disagree about the best method for stimulating housing and therefore

(Continued on page 35)

Nipp replaces Karels as Coast-to-Coast prez

MINNEAPOLIS—Carl D. Nipp has been appointed president of franchise wholesaler Coast to Coast Stores, following the resignation earlier this month of Joseph B. Karels, who headed the company since 1978.

Nipp, who joined Household Merchandising, the Des Plaines, Ill.-based parent of Coast to Coast, less than a year ago, had previously been vice president, merchandising, for Fred Meyer, Portland, Ore., marketing vice president for Super Valu Stores, Minneapolis and president of Certified Grocers of Chicago, Ill.

Also resigning from Coast to Coast was senior vice president for division operations Gary C. Weiss.

Both Karels and Weiss resigned to pursue other interests, Coast to Coast officials said. The former executives said they are investigating many alternatives, including possible ownership of a Coast to Coast outlet, and that they may stay together in business.

The resignations, however, might have resulted from Coast to Coast's recent performance.

The chain of 1,200 hardware stores (267 carry building materials), did $500 million in sales last year, according to Ed Rowe, director of human resources at Household Merchandising. He said while Coast's sales were up last year, profits were "slightly down."

Concerning the change in management at Coast to Coast, Rowe said, "We would now want a better balance between improving sales in existing units and adding new stores.

"In the past, we have been a bit too concerned with looking for new locations and owners and haven't taken into account what that relates to in terms of internal growth."

Coast to Coast accounted for about 10% of its parent's 1981 business, which also includes sales from Von's Supermarkets, Los Angeles, Ben Franklin variety stores, Des Plaines, Ill., and discounter T.G. & Y., Oklahoma City.

Former Coast buyer Sam Mangiere, now national accounts manager for Gambles, Minneapolis, said Karels' resignation was a surprise.

He noted, however, "Even when I was there, there was always talk about Household replacing Karels with one of their own men.

"In the time I was there, I'd have to say that the company's stability was no more or less than any other in the industry, and in fact, within its own competitive field, Coast to Coast was probably above average."

At Coast to Coast, senior vice president, retailing, Paul Hitzelberger said, "Joe [Karels] has been planning to resign for the past two years."

The resignations came only about two weeks after the resignation of Charles B. Haertl, Coast to Coast's east central division general manager. Company officials said he was pursuing other interests, but Haertl confirmed his resignation was involuntary.

"Financial performance and lack of growth was the reason given to me," Haertl said. "Since I became general manager in 1975, we did well for the first two or three years. We opened about 15 stores a year. But, in today's economy, it's not easy to get people to invest in a store and Coast to Coast's growth was in new stores, not acquisitions."

Existing home sales rise 2.2% nationwide in Feb.

WASHINGTON—The North Central region had the largest increase in sales of existing homes in February, posting a 11.4% hike from January to a seasonally adjusted annual rate of 490,000, according to the National Assn. of Realtors.

All regions showed improvement except the South, where sales of existing single-family homes dropped 2.4%.

Nationally the seasonally adjusted rate of home resales rose to 1.9 million, up 2.2% from January.

Still, the overall seasonally adjusted rate of sales remained 26.6% off from February 1981.

"The adverse market conditions created by high interest rates are also placing a real damper on home prices," said Dr. Jack Carlson, chief economist and executive vice president of the NAR. "In February, the median sale price of an existing single-family home rose just 2.7% to $67,900, up only 5.9% from February 1981."

Carlson predicted a slow recovery beginning this spring and leading to 2.4 million existing home sales in 1982 and 3.2 million in 1983. By spring 1983, he said, housing appreciation should recover to the point where it surpasses the inflation rate.

The national median price of an existing single-family home was $67,900 in February. For the Northeast, North Central and South the figures were $62,800, $64,700 and $67,100 respectively, while the average price in the West was $100,300.

Regionally, single-family home sales were as follows: Northeast, 300,000; North Central, 490,000; South, 820,000, and West, 260,000.

Less vigorous approach

FTC is retargeting enforcement

WASHINGTON—Top Federal Trade Commission policy makers are quietly retargeting the agency's enforcement efforts away from areas of direct concern to the nation's home center chains.

FTC planning documents obtained by *National Home Center News* indicate that the commission has already refocused much of its traditional antitrust and consumer protection enforcement activities, and that further shifts may be in the cards.

Specifically, those documents suggest that under Reagan appointee Chairman James Miller III the FTC will:

- De-emphasize the agency's campaign to require presale product warranty disclosure by home center chains and other retailers;
- Sharply reduce efforts to prosecute manufacturers engaged in discriminatory pricing practices;
- Initiate deceptive advertising cases on a far more selective basis, and
- Follow the lead of Justice Department antitrusters in cutting back on efforts to discourage coercive resale price maintenance restrictions and other vertical trade restraints by suppliers.

In part, FTC's new, less vigorous enforcement approach stems from the deep budget cuts imposed on the agency by the Reagan Administration.

The funding proposal for the Government's 1983 fiscal year starting next Oct. 1 calls for reducing FTC's total operating budget by nearly $8 million and trimming the agency staff by the equivalent of 145 "work-years."

But to a significant extent, the shift at FTC reflects Miller's personal view that the commission's enforcement role should be narrowed.

Even before the latest FTC planning documents surfaced, Miller openly voiced reservations about the agency's controversial advertising substantiation program, and expressed support for the decision by Reagan Justice Department officials to no longer prosecute fair trade-type, vertical price fixing activities as *per se* antitrust violations.

For years, FTC's Bureau of Competition has treated efforts by manufacturers to prevent discounting by retailers as an automatic violation of the Federal antitrust laws. Now, however, commission policy makers contend that even coercive efforts by suppliers to discourage price-cutting may actually aid competition, and that these practices will be reviewed on a case-by-case basis.

In the future, according to the new FTC planning documents, commission antitrusters will "prevent suppliers from forcing resellers to charge prices higher than they would like to charge" only if "there is no offsetting benefit to competition from the supplier-reseller arrangement."

(Continued on page 4)

Hal's to enter Milwaukee with warehouse concept

MILWAUKEE—Hal's, a new home center operator which will make its debut here with two units next month (*NHCN*, March 15), is adopting DIY retailing's warehouse concept, successfully employed by Atlanta-based Home Depot and St. Louis-based Eclipse Industries in recent years.

NHCN has also learned that the Knell family, operators of 33 Ole's home centers in California and Nevada, is an investor in the new venture along with several former key W. R. Grace home center executives.

The chain, which will open two of a projected four Milwaukee-area stores in space leased from Target discount stores on South 27th Street in the Greenfield section of the city and on Capitol Drive in Wauwatosa, Wis., will use warehouse racking and a mass presentation of merchandise.

"It's the nature of what people here are used to," explained Mary Kodis, a founder of now Grace-owned Handy City, Atlanta, and an investor in Hal's, who is the new company's president. "It's the style that fits the locale nicely. These operations also seem to be more volume-minded than other stores.

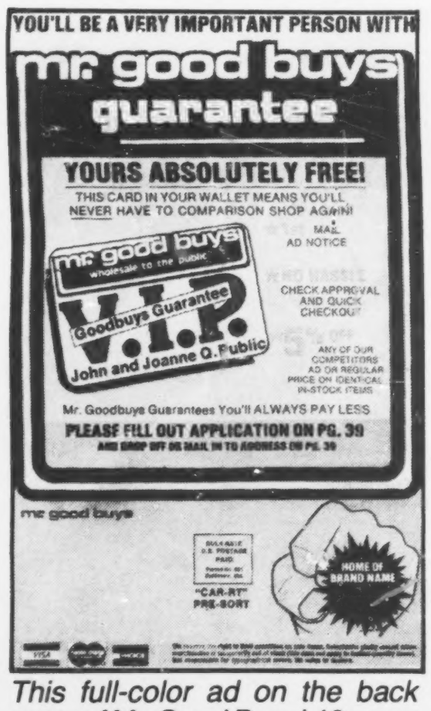
"We'll warehouse some on the floor and above. We're not

(Continued on page 34)

Mr. Good Buys unveils VIP cards

PHILADELPHIA—Mr. Good Buys, the warehouse-style home center chain, is out to confer special status on many of its customers by providing them with V.I.P. cards.

The new promotional program is modeled after a similar one initiated last fall by Atlanta-based Home Depot.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HOME OF BRAND NAME

This full-color ad on the back page of Mr. Good Buys' 40-page March-April catalog promotes its new V.I.P. card program.

Holders of the new card are promised "5% off any of our competitors' advertised or regular price on identical, in-stock items," along with "no-hassle check approval," and first native privileges.

Although co-owner Dan Neducsin said it was "too soon to tell" if the program, announced in February, has been a success, an 8-in. stack of completed applications atop a secretary's desk indicated enthusiastic customer response.

Neducsin has set a goal of 100,000 V.I.P. card holders, but isn't sure if that figure can be reached.

The background

"We're getting about a 50% rejection rate so far," he said, noting that most of the refusals appear to be the result of improper completion of the application form, which requires banking information, names of charge cards and employment data.

A credit checking firm evaluates the applications since card bearers are guaranteed instant check approval. "About 10%-20% of the rejected applications are resubmitted," Neducsin said.

The application form first appeared in a February 40-page catalog along with a back page full-color ad headlined "You'll be a Very Important Person With Mr. Good Buys guarantee—yours absolutely free—this card in your wallet means you'll never have to comparison shop again!"

Neducsin said that customers would be required to bring in the competitors' ad to receive the 5% discount. He anticipated no problems with name brand merchandise, but speculated that some difficulties could arise with lumber.

"If a customer brings in an ad for 2x4's, it could present a problem, unless the ad specified grade and species," Neducsin said.

The Mr. Good Buys V.I.P. cards will be of the plastic, credit card variety. "Plastic cards imply credibility," Neducsin said. "Cardboard ones tend to get shoved in a wallet and either crumble up or are forgotten," adding that plastic cards of this type are "probably unique" in the home center industry.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 9. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News. 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 9 April 26, 1982

DIY chains have the edge in 1981

(Continued from page 1)

- Sales for the most recent fiscal year were up 25% from the year before, to $479 million.
- Inventory levels stayed more directly in line with those increases than in 1980: At the close of fiscal 1979, with 68 stores in operation , year-end inventory totaled $87.8 million; in fiscal 1980, with 78 stores, inventory declined to $83 million; while in the latest fiscal year, with 86 stores, year-end inventory totaled $95.6 million.

Erb Lumber

- The sale of rental apartment property inflated 1980 net income by more than $1.1 million, contributing to the decrease posted for this past year of 54%, to just over $2 million.
- Sales in 1981 dipped 1% to $118.1 million as depressed residential construction and the poor regional economy took their toll against efforts to boost retail sales.

Lowe's

Earnings as % of sales	Qtr.	Sales (in millions)
	1979	
2.1	1st	$189.1
3.5	2nd	267.1
3.3	3rd	257.6
1.7	4th	190.9
	1980	
1.0	1st	182.8
3.0	2nd	246.8
2.8	3rd	248.2
1.2	4th	205.8
	1981	
1.0	1st	218.1
2.9	2nd	268.6
2.1	3rd	227.9
1.8	4th	173.5

Fiscal year ends Jan. 31

- Year-end inventory levels were reduced from $17.1 million in 1980, to $13.7 million in 1981.
- The 36-unit chain's quick ratio (cash, receivables and marketable securities divided by current liabilities) was 58% at the end of 1980 but rose to 89% as 1981 ended.

Lowe's

- For the first time, consumer sales exceeded professional volume, claiming 52% of the business.
- Net earnings dropped 5% to $17,859,000. Sales rose 1% to $888,042,000 compared to fiscal 1980 which ended in January 1981.
- Lowe's operated 15 more stores at the end of the fiscal year than a year ago, but stock levels were considerably lower. The chain carried $113.5 million on Jan. 31, 1982, compared to $125.1 million on Jan. 31, 1981.
- Its quick ratio remained practically steady at 102%.

Wolohan Lumber

- The home building situation and the economy also reduced 1981 sales by 10% to $88,788,000 from 1980.
- Net earnings rose 22%, however, to $972,000. The upturn was achieved through reduced operating costs and 1.6% higher gross profit margins to 24.3%, according to Wolohan's annual report. Centralizing more of its purchasing and bringing in higher-margin products contributed to the performance.
- Inventory levels remained in line with year-earlier levels, but Wolohan's quick ratio was up to 191% from 132% in 1980.

"Our liquidity and working capital positions have improved even further over 1980's year-end levels," the annual report said. "Our liquidity ratio is 1.52:1, a 111% increase over 1980's 0.72:1 ratio."

In general, other DIY-oriented companies did well.

Rickel Home Centers' sales rose 14% to $187 million from fiscal 1980 although the 31-store chain opened only one new unit last year, Supermarkets General, Rickel's parent, reported.

Pay 'N Pak, which opened four new outlets last year, saw net earnings rise 12% to $7.2 million on a sales gain of 19% to almost $181 million in the year ended Feb. 28.

Scott's, Linthicum, Md., was helped and hurt by its acquisition of Frank's Hardware last summer. As the chain more than doubled its size to 17 outlets by Jan. 31, the end of its fiscal year, sales were up 31% to just over $19 million. The chain reported an operating income loss of $207,000, however.

At Evans Products' 348 retail outlets, "while gross profit margins improved in both years, increased operating expenses caused the earnings return on revenues to decline in 1980 and 1981," according to the firm's annual report.

Scotty's

Earnings as % of sales	Qtr.	Sales (in millions)
	1979	
4.7	1st	$53.7
4.2	2nd	56.2
3.8	3rd	54.6
4.0	4th	62.3
	1980	
5.0	1st	64.6
4.3	2nd	64.4
3.2	3rd	60.6
3.4	4th	69.6
	1981	
4.0	1st	79.0
4.2	2nd	85.2
3.0	3rd	69.9
2.1	4th	70.3

Fiscal year ends June 30

Pay 'N Pak

Earnings as % of sales	Qtr.	Sales (in millions)
	1979	
4.0	1st	$31.8
4.6	2nd	39.6
4.9	3rd	36.8
5.2	4th	30.2
	1980	
3.7	1st	35.3
4.0	2nd	42.5
4.3	3rd	41.3
5.1	4th	32.8
	1981	
3.6	1st	41.5
3.8	2nd	49.3
4.0	3rd	51.7
4.6	4th	38.4

Fiscal year ends Feb. 28

Operating income was up 2% to $53 million while sales rose 9% to $756.2 million last year at Evans' stores.

At 81-store Handyman, however, "an aggressive program of off-price promotions" helped maintain market share but cut into gross margins, thus reducing operating profits from $11.9 million in 1980 to $8.4 million in 1981, parent Edison Brothers Stores' annual report said.

Sales rose 6% to $205.3 in the period.

The company said it would maintain the promotional program but would work on "pruning unproductive items" from Handyman.

Boise Cascade's building materials distribution division, including 94 stores, saw 1981 sales decline slightly to $547 million, the annual report said. The chain "remained competitive and maintained market share," the report added, and the company hopes for a $1 billion sales year "in a good building materials market" from the stores.

Lower interest rates

(Continued from page 1)

"The trend will make customers more prone to buy," said an executive at W. R. Grace's retail division, "but the immediate effect [lower inflation] it has had on sales and prices has thus far been nil."

One thing escapes debate: the inflation fever has broken.

In the 12-month period ended in February, the rate of inflation stood at 7.7%, compared to 12.4% for the 12-months ended December 1980. More significantly, March Producer Prices fell for the second consecutive month, by 0.1% for finished goods; 0.3% for intermediate goods and 0.9% for crude goods.

Retailers, security analysts and accounting executives see disinflation as having both positive and negative effects.

On the plus side, dealers will find selling and general administrative (SGA) costs escalating less rapidly. In recent years, SGA expenses like utilities, and wages (which can account for as much as 70% of this total and were often linked to the CPI) were running double the inflation rate of retail prices.

"Disinflation now allows gross margin to better cover increases in SGA costs," said Irwin Cohen, national retail industry director for Touche Ross. He explained that home center chains have, in many instances, been forced to slash margins to generate sales merely to offset inflation-related increases in SGA costs.

"But what disinflation will really translate into is improvement in consumers' willingness to spend more money because of the perception the economy is getting better," he said.

At the moment, counters Stanley Cohen, president of Central Hardware, "The pressure is still on [consumers] to pay their bills. Most customers probably haven't felt the inflation drop yet."

Nonetheless, the 30-store St. Louis-based chain saw its gross margins improve by a percentage point for the fiscal year, ended in February, and has seen sales in March grow by 8% chainwide from the previous year.

Increases in earnings, however, are likely to present a new dilemma at home center companies that switched to LIFO accounting.

"Retailers will have to realize that LIFO is a long-term proposition," cautioned Dale Steinmetz, of Price Waterhouse. The partner of the accounting firm's retail services division explained that as inflation is reduced, the allowable LIFO adjustments decline, leaving more profits on the books, which means a bigger cash outlay for taxes.

"The end result," however, Steinmetz said, "could be growth in inventory in real terms [after inflation is factored out], which can only strengthen a company's balance sheet."

Forest City's Marques lamented the added tax burden likely to result from the effect of disinflation under LIFO accounting, but still insists that the company made the right move by converting to LIFO in 1980.

"We have been able to obtain a moratorium on wage increases for a year, and have gone back to unionized workers in the third year of their contract, telling them that we can't afford the previously negotiated terms," said Marque. The employees have been "amenable" to Forest City's requests, he noted.

Disinflation's impact on distributing companies using LIFO, meanwhile, would be less pronounced, "at least from a net profit standpoint," said David Hodnick, treasurer and controller for Ace Hardware, the Oak Brook, Ill., wholesale co-op. He added, though, that improved economic conditions from disinflation "could speed up our expansion rate."

Robert Simonson, a security analyst for Kidder, Peabody & Co., said while inflation will remain below past levels "for five to 10 years," other factors, such as lower interest rates and improved employment opportunities must prevail for the recession to end.

Hal's stores

(Continued from page 2)

going as far as The Home Depot but we're not going to look sterile like a Handy City."

The Home Depot started out the same way by leasing space from adjacent Treasury discount outlets.

Hal's warehouse look will encompass lumber, building materials, hardware, paint, floor and wall coverings and seasonals, "a basic home center without housewares and automotives," according to Tom Gritz, vice president and general merchandise manager for hard lines at Hal's.

Kodis admits, however, that Hal's officials have their work cut out, although a primary attraction to opening home centers in the Milwaukee market is a lack of competition.

"Milwaukee doesn't know what a home center is," she said. "We have to explain the business to the employment agencies we've contacted. I think we'll use institutional ads with home center as the dominant word."

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SECURITY/SHORTAGE CONTROL

Proper cashier training can help trim losses

By Herbert P. Bearak
Special to NHCN

A short time ago a customer returned a gallon of paint to a home center without a sales slip and got a cash refund. The person operating the register, when approached, took the gallon of paint from the customer, rang "NO SALE" on the register and gave the customer the proper amount of money, including tax, as indicated from the price on the top of the can.

A few days later this same cashier was observed, with no customer present, ringing "NO SALE," withdrawing some bills from the register and placing them in her pocketbook which was under the counter nearby.

The first incident involved a dishonest shopper who had not even brought in the gallon of paint from her car, but instead had taken it directly from a shelf in the store and approached the cashier asking for a refund.

The second incident was observed by an employee who went to the owner and related what had taken place.

When the cashier was questioned regarding the latter, she reluctantly admitted that she had taken the money from the register and placed it in her pocketbook. During the interview when she was questioned about the incident involving the gallon of paint, she could not recall it, and then explained, with some relief, that when she was shown how to operate the cash register, no one explained the refund procedure or how to give cash refunds.

She took it upon herself to give cash refunds by ringing "NO SALE." She thought it was perfectly all right because no one ever approached her regarding the cash shortages that were evident when the cash register was zeroed at the end of the day. Therefore, she began to take "refunds" for herself.

In the bookkeeping office the shortages were attributed to . . . "that new cashier who hasn't learned how to operate the register." But the information was never passed on to management until a few weeks had elapsed and the incident involving the money and the pocketbook was reported.

Herbert P. Bearak is president of Stop-Loss Associates, Framingham, Mass.

This situation bespeaks a lack of communication between management and employees.

When a new employee is assigned to operate the cash register, not only should they be shown how to operate the machine, but they should also be trained in the procedures involving various types of transactions and the related paperwork.

In addition, the training process should be one of "show and tell," and then observation. In the beginning constant supervision is essential. As the employee becomes acclimated to the operation of the register she can be allowed to operate it on her own, provided there is periodic supervision.

Further, a cashier should never be allowed to take her pocketbook to the work area.

Never hesitate to question a cashier to be certain that she understands the proper procedures.

A bookkeeping office should never be allowed to accept shortages on the basis that a new cashier is running the register. Similarly, overages are not acceptable. Obviously, day to day, there are going to be nominal overages and shortages.

Cashiers should be trained. When they make mistakes, the errors should be discussed with them. When they do well they should be complimented. To accept failure to follow procedures and policy, to accept overages and shortages, to take the path of least resistance in expecting quality work can result in problems in the future and losses.

LUMBER REPORT

These times demand innovative techniques

By Kenneth Schept
NHCN senior editor

NEW YORK—If adversity is truly the mother of invention, these times should spawn more good ideas than Thomas Edison.

Schept

These times, briefly, mean housing starts that reached 1.1 million last year and promise to inch up by 100,000 in 1982; interest rates for home mortgages hovering at about 17.5% nationally and money for inventory investment that often costs even more.

These times demand new ways of doing business. Innovative retailers and lumbermen have already changed the way lumber is distributed in ways that may remain in place after interest rates recede, housing becomes affordable and daily bankruptcies become a memory. They're buying less and more often. And they're buying mixed loads.

"When money was at 6% and 8% interest you could save 12¢ to 15¢ per sheet of plywood by buying directly from a mill," explained Sam Gaddis, a national sales manager from Georgia-Pacific.

Today, however, the advantages to the retailer of having the supplier worry about the cost of money far excede the pennies saved by buying direct.

Under the best conditions, with advantageous dating, the retailer may not have to pay for a lumber shipment until the last 2x4 at the bottom of the bin has been chosen, checked out and tied to the roof of a customer's car.

A retailer could take delivery of a load on the first of the month, for example, and not have a bill due until the 10th of the following month.

When the economy breaks free from the recession, retailers may not revert to the old ways of doing business. Even with reasonable interest rates, there will continue to be other advantages in buying through distributors—specifically the hedge against risk.

By mixing loads and buying small amounts, the retailer becomes less vulnerable to swings in lumber prices, a distinct plus in a market known for its volatility.

Moreover, reload centers, born out of the high cost of rail shipment, have made mixed truckloads a fact of business.

Again, retailers like being able to receive three or four different species in one load. While a change in economic conditions could make carload shipments again possible, those factors alone will not make them popular.

What will be a factor is how well products meet the needs of the retailer.

Several companies, for example, are now offering siding that is rough on one side and smooth on the other. The width of the plank on each side is also different. Hence, with one sku, a retailer can serve the separate preferences of two different customers.

Waferboard is another example. A single unit of waferboard can substitute for a variety of plywoods.

While adversity has nurtured some new business methods and new products, the forward-looking lumber retailer should be prepared to see a certain scarcity of product once demand begins to accelerate.

With one-fifth of the Western lumber workers out of work and more than half of the remaining workers on shortened schedules, it is likely that when demand picks up, supply won't be there, at least not at first.

Although the most optimistic forecasts do not see a recovery until the second half of 1982, Congress seems ready to vote for some form of aid for housing.

The Lugar bill, which now has the greatest support on Capitol Hill, could give a boost to housing by summer.

When demand picks up and supply is short, prices will likely jump significantly. The retailer with a strong relationship with a supplier will best be able to secure supplies at the right price if a surge in demand is around the corner.

Softwood use drops 4.6% in '81

PORTLAND, Ore.—Although total softwood lumber consumption was off by 4.6% last year, its use in repair and remodeling dipped only 1% to 7.7 billion bd. ft., according to a new forecast by the Western Wood Products Assn.

Repair and remodeling use of softwood lumber should grow to about 7.9 billion bd. ft. in 1982, the association predicted.

Use of softwood in residential construction is expected to reach 10.8 billion bd. ft. this year, an increase of 9% from 1981.

However, the overall increase in softwood use is expected to be only 4.8%, bringing total consumption to 31.7 billion bd. ft.

Even with that rise, overall consumption will remain below the 1980 level of 32 billion bd. ft., the WWPA indicated.

High interest rates and the housing recession remain chiefly responsible for sluggish lumber use. Residential building is expected to improve during 1982 with 1.2 million units anticipated. That construction level is 8.9% above last year, but still 8.6% off from 1980.

The number of single-family starts as a percentage of total housing construction is expected to be down from 64.8% in 1981 to 64% in 1982. That decline has significance because single-family homes use about twice the lumber required per unit for construction of a multi-family dwelling.

Regionally, production of Southern pine, which was off last year, is expected to recover somewhat in 1982, with consumption estimated at 6.6 billion bd. ft., an increase of 8%. Southern pine consumption in 1981 was 8% off from 1980.

The coast and inland regions, which were down 5.4% in 1981 to 13.7 billion bd. ft. from 1980, are expected to increase by 5.6% in 1982 to 14.4 billion.

Production of California redwood is expected to decline by 2% to 1.41 billion bd. ft.

Canadian imports represented 30.5% of United States consumption in 1981. They are expected to reach 9.9 billion bd. ft. in 1982, or 31.1%.

Projected U.S. softwood consumption

(in million board feet)

Market	1981 estimated	1982 projected
Residential construction*	9,825	10,755
Other new construction	5,790	5,860
Repair, remodeling	7,720	7,900
Material handling	3,868	4,000
All other	3,011	3,150
Total	**30,214**	**31,665**

Principal sources

Region	1981 estimated	1982 projected
Coast	5,589	5,805
Inland	7,043	7,240
California redwood	1,442	1,410
Southern pine	5,918	6,340
Other U.S.	1,107	1,015
Total U.S.	**21,009**	**21,810**
Imports	**9,205**	**9,855**
Total	**30,214**	**31,655**

**1982 residential construction estimates are based on 1,200,000 conventional starts and 270,000 mobile homes.*
Source: Western Wood Products Assn.

FUTURES

Two weeks ended April 2, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May	151.90	140.20	143.00	142.10	3,048	220.30	137.50
July	160.80	151.60	153.30	151.70	1,871	224.50	147.60
Sept.	168.70	159.90	161.20	160.00	891	229.50	155.30
Nov.	169.90	159.60	162.10	161.40	679	224.50	157.10
Jan. '83	177.00	167.30	168.20	169.00	413	205.50	165.00
March	185.00	176.00	177.80	177.30	50	209.80	171.50
May	192.70	185.50	184.80	185.50	75	202.00	181.00

Total Contract Vol. (Through 4/2): 14,899 — **Previous Two Weeks: 18,866**
Total Open Interest (As of 4/1): 7,047 — **Previous Week: 7,108**
Cash Price: $133.28 — **Previous Week: $134.26** — **Year Ago: $152.88**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
May	174.20	162.50	165.30	166.40	2,068	241.00	162.50
July	178.80	167.80	170.50	171.30	812	219.00	167.80
Sept.	183.80	172.80	175.00	176.00	459	224.50	172.80
Nov.	187.40	176.50	179.00	180.50	273	226.50	176.50
Jan. '83	191.70	180.00	183.20	184.30	94	215.00	180.00
March	190.50	186.00	190.50	—	0	196.30	186.00

Total Contract Vol. (Through 4/2): 4,488 — **Previous Two Weeks: 6,763**
Total Open Interest (As of 4/1): 3,706 — **Previous Week: 3,648**
Cash Price: $167.58 — **Previous Week: $171.50** — **Year Ago: $207.76**

COMMODITY RESEARCH BUREAU INDEX:	This Week 253.7	Previous Week 248.7	Year Ago 298.3

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, April 1.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

STOCK PRICES

	As of 3/31	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	28¾	48¼	26	6
Diamond Int'l (NYSE)	38	41¼	26¼	19
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	12½	26½	11¾	12
Forest City (AMEX)	11⅝	20⅜	11¼	2
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	35	54⅞	34½	5
Lowe's (NYSE)	14½	18⅞	9½	15
Payless Cashways (NYSE)	17¼	20¼	15¼	13
Scotty's (NYSE)	17⅛	26⅝	15⅛	9
Southwest Forest Industries (NYSE)	11⅝	27⅝	11½	10
Wickes (NYSE)	5⅞	17	4½	5

*$ in millions

Over-the-counter stocks

	As of 3/31 Bid	As of 3/31 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	8	9	14¾	7½
Hechinger	16¾	17⅛	23⅛	10¼
Hines Lumber	18	19	23	15
The Home Depot	16½	17¼	17	7¾
Pay 'N Pak	15¼	15½	18	13⅛
Pay 'n Save	17⅜	17½	29½	16½
Scotts Seaboard [Scott's]	1¼	1½	1⅝	½
Wolohan Lumber	3¼	3½	6⅜	3

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	12/31-4th qtr.	$ 25,189	$ 29,575	– 15	$ 542	$1,714	–68
	12/31-Year	118,142	118,933	– 1	2,055	4,451	–54
Hechinger	1/30-4th qtr.	46,594	41,556	12	2,427	2,136	14
	1/30-Year	210,619	170,445	24	8,586	6,801	26
The Home Depot	1/31-4th qtr.	19,209	6,632	190	638	466	37
	1/31-Year	51,542	22,318	131	1,445	856	69
Pay 'N Pak	2/28-4th qtr.	38,436	32,759	17	1,774	1,667	6
	2/28-Year	180,974	151,765	19	7,199	6,449	12
Scotty's	2/20-4 wks.	24,131	23,311	4	—	—	—

*$ in thousands

Erb Lumber's 1981 income drops 54%

BIRMINGHAM, Mich.—The depressed home building industry and poor economic conditions contributed to lower profits and revenue in 1981 compared to 1980 for Erb Lumber, company officials said.

Last year's earnings' decline looked worse because 1980 net income included $1,114,000 from the sale of rental apartment property, they noted.

During 1981, Erb Lumber's net profits were off 54% to $2,055,000 on a sales decline of 1% to $118,142,000 compared to 1980 results.

The company, which primarily operates Erb and Mr. Plywood units in Michigan and the West, has benefited from "efforts to expand retail operations and sales of building material products to homeowners and modernization customers," officials said.

Those efforts in 1981 included the purchase of Smith Lumber & Supply, Grand Rapids, Mich., a $7.5 million operation which does 65% of its sales with consumers, the closing of a small facility in Posen, Mich., more advertising and greater management attention to the retail portion of the business, according to Richard K. Rappleye, vice president, finance.

They "have partially offset the effects that high interest rates, the accompanying tight money and the worsening economic slump in Michigan have had on builder business," officials said.

Payless net off 29% in 1st qtr.

KANSAS CITY, Mo.—Reduced consumer spending and inclement weather combined to limit first-quarter sales growth and to cut net income by 29% at Payless Cashways 13-week period ended Feb. 27, company officials said.

Net income fell to $1,377,000 on sales of $90,827,000, a 7% gain from the first quarter a year ago.

Payless chairman J. Stanley Covey explained, "This quarter's slowdown in sales and decrease in earnings reflect two factors: a noticeable reduction in consumer spending in many of the company's market areas, and severe weather through much of our territory which, in some cases, forced the closing of stores for one or more days during the quarter."

In stores opened at least a year, sales were off 2% from the same period last year.

The effect of the last-in, first-out (LIFO) method of inventory valuation on earnings per share in the quarter was 3¢ as compared to 5¢ a year ago, officials at the 86-unit, 14-state chain said. The lower accrual for LIFO reflects the company's expectations for the entire year based upon a lower price inflation for merchandise so far this year.

Hechinger sales up 24% for 1981

LANDOVER, Md.—Comparable sales at Hechinger stores increased 12% from its last fiscal year as the 31-unit chain exceeded the $200 million mark in annual sales for the first time in its fiscal year ended Jan. 30, company officials announced.

Sales were up 24% from the previous year to $210,619,072 which helped annual net earnings increase 26% to $8,585,552.

Fourth-quarter results contributed to the upward swing as net earnings rose 14% to $2,427,393 on a sales gain of 12% to $46,593,953 compared to the fourth quarter of the prior year, according to company officials.

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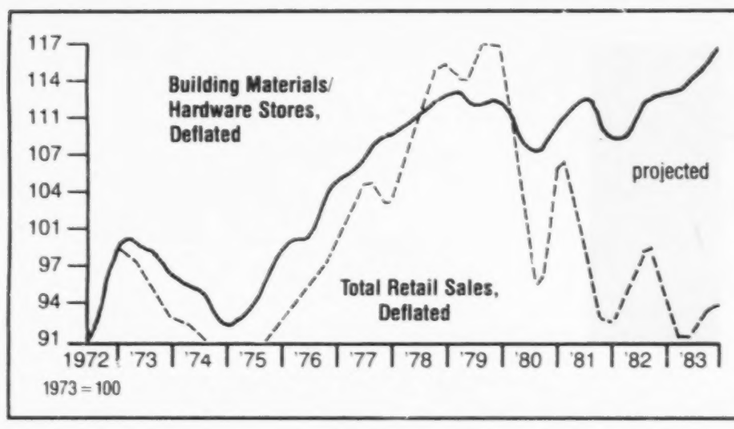
CLASSIFIED ADS

L/F ECONOCYCLE

DIY set for mild, brief halftime recovery



Building Materials & Hardware

	Sales change by quarter '81 1Q %	'81 2Q %	'81 3Q %	'81 4Q %	'82* 1Q %	'82* 2Q %	'82* 3Q %	'82* 4Q %	12-month % change '80 %	'81 %	'82* %
Sales include inflation	8.4	15.2	7.4	– 4.2	– 10.3	– 0.8	8.5	10.9	– 3.2	6.5	1.7
Real sales (deflated)*	– 1.2	6.0	0.5	– 9.3	– 13.0	– 4.0	2.2	2.1	– 12.4	– 1.1	– 3.5

Base = Dec. 1981 Sales
*Projected

Even though general retailing is on a comeback trail and is projected to pick up momentum each month through the balance of the year, the L/F spending indicator (below) continues to project a lower and slower trendline for consumer purchasing through the balance of 1982.

Over the next three month, in fact, the spending indicator will continue to slip compared with retail sales trends.

When first-quarter sales are finally tallied, they should show a decline of 3% vs. the same period last year. This figure should be reduced by half in the second period, Econocycle projects, as key sectors of the retail economy begin to heat up and post regular increases again.

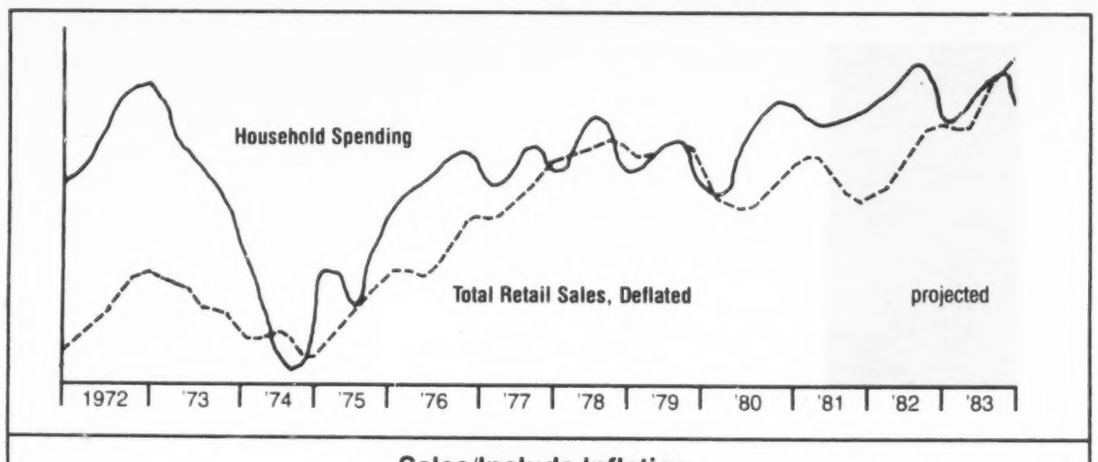
The recovery rate will hinge on how well the consumer reacts to the spring thaw around the country. Still an uncertain factor will be the size and length of the expected spending spree unleashed by tax rebates this month, most top retailers admit.

The L/F Econocycle projection for home building/DIY calls for a brief recovery in the first half, and a sharp downswing through the final six months. Sales declines will continue through June (compared to same-time last year) but the rate of loss will slow, according to L/F's computer model.

The real concern for retailers is the growing gap between the spending indicator and retail sales trends, however.

For now, only a handful of key retail industries appear to be shaking the slowdown pattern that took hold late last year.

- Drug stores are moving along the same general path as total retailing. Discounters also mirror the general trend and should be posting increases in the third period.



Sales/Include Inflation
% Change By Quarter

		Total Retail Stores	Food Stores	Eating & Drinking	Building Materials Hardware Stores	Drug Stores	Furniture & Appliance Stores	Apparel Stores	General Merchandise Stores	GAF Stores
1981	1Q	9.9	10.5	7.4	8.4	10.4	8.4	9.8	7.9	8.4
	2Q	12.3	10.7	11.4	15.2	10.3	9.0	8.7	12.5	10.9
	3Q	10.2	9.4	10.0	7.4	8.7	5.0	8.3	9.5	8.2
	4Q	5.5	8.4	8.6	– 4.2	7.0	1.6	4.9	6.3	5.0
1982	1Q*	2.3	7.6	7.2	–10.3	7.1	–0.2	1.2	3.6	2.3
	2Q*	2.5	7.2	6.6	– 0.8	6.7	5.2	3.0	3.3	3.6
	3Q*	4.1	7.7	10.4	8.5	7.4	7.1	3.5	7.5	6.6
	4Q*	6.4	8.4	11.1	10.9	6.4	6.9	4.9	9.9	8.2
% change 12 mos.	1980	7.7	10.8	8.7	– 3.2	11.9	4.7	4.6	5.9	5.4
	1981	9.4	9.7	9.3	6.5	9.0	5.9	7.9	9.0	8.1
	1982*	3.8	7.7	8.9	1.7	6.9	4.7	3.1	6.1	5.2

Real Sales (Deflated)*
% Change By Quarter

1981	1Q	0.4	– 1.4	– 2.1	– 1.2	0.2	2.2	5.9	0.9	2.2
	2Q	3.6	0.3	2.1	6.0	0.3	3.0	4.5	5.8	4.9
	3Q	2.4	1.2	1.1	0.5	– 1.1	–0.6	3.9	3.2	2.5
	4Q	– 1.1	3.6	0.5	– 9.3	– 2.4	–3.8	1.7	0.9	0.1
1982	1Q*	– 3.1	2.5	0.9	–13.0	– 0.8	–5.6	–1.9	– 1.2	– 2.3
	2Q*	– 1.7	– 0.4	0.1	– 4.0	0.7	–1.2	–0.0	– 1.2	– 1.0
	3Q*	1.3	– 0.2	3.4	2.2	2.8	–0.3	0.6	2.8	1.7
	4Q*	4.6	– 0.2	3.7	2.1	2.4	–0.8	1.4	3.9	2.4
% change 12 mos.	1980	– 2.6	3.0	– 0.7	–12.4	2.5	–1.4	0.1	– 1.5	– 1.2
	1981	1.3	0.9	0.4	– 1.1	– 0.8	0.2	4.0	2.7	2.4
	1982*	0.2	0.4	2.0	– 3.5	1.3	–2.0	0.0	1.1	0.2

Base = Dec. 1981 Sales
*Projected

About Econocycle

The source for the L/F Econocycle index is the Econostat Applied Economic Research Unit of The Hague, Holland. This unit consults for Government and major corporations on three continents. Its projection techniques are based on the Econocycle System, a computerized system designed by the Econostat team of economists.

Because of the changing pace of inflation in the United States, retail sales figures in the L/F Econocycle projections have been adjusted to take account of inflation. All statistics are shown in *real* terms. The charts (above, facing) represent the trend cycle. The data has been seasonally adjusted and smoothed—and is updated each month.

Where an *Index Base* is indicated, the data is converted to index numbers, starting from a common base (= 100) in order to establish meaningful performance comparisons.

Energy '82 . . . pp. 17-31

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National Home Center News®

Vol. 8, No. 10 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. May 10, 1982
$7 per year $2 per copy

Wickes files Chapter XI to re-establish credit

Seeks to reopen supply lines

SAN DIEGO—Wickes Cos., facing $802 million in unpaid bills to vendors and $1.198 billion in bank debts, has filed for protection under the Federal bankruptcy laws in hopes of restoring supplier confidence in the $4 billion retailer.

"We want to get normal trade credit re-established," said Sanford Sigoloff, Wickes' recently appointed chairman and ceo who pointed to "critically short" inventory levels at several of Wickes' retail operations.

Chapter XI filing gives Wickes a temporary reprieve from its debt obligation to an estimated 15,000 creditors, allowing it to continue operations under its newly formed management team while attempting to reorganize and hammer out a repayment structure. Sigoloff warned that "conservatively" it will take Wickes at least three years to come out of bankruptcy proceedings.

While suppliers holding unpaid bills will have to queue up with other creditors, Sigoloff insisted that they should be "anxious to continue to work with us."

Wickes has scheduled a meeting with creditors for June 3 in the Los Angeles Convention Center.

Chapter XI rules under the Federal Bankruptcy Act give priority for repayment to vendors, bankers and other trading partners who issue new credit to the company.

The Chapter XI filing, made on April 24 in Los Angeles came on the heels of an announcement by Sigoloff two weeks earlier than Wickes had called off the sale of a major stake in its drug store and supermarket subsidiaries and, by mutual agreement, ended talks with Pillsbury for the sale of Wickes' agricultural division.

Thorofare Markets, Youngstown, Ohio, which had tentatively agreed to buy two-thirds' interest in Wickes' Red Owl supermarkets and Snyder Drug Stores for an estimated $60 million in cash and notes, has taken Wickes to court to force the sale. (A Chicago judge has issued a temporary restraining order prohibiting Wickes from incorporating cash flow from

(Continued on page 46)

Wickes chairman and ceo Sanford Sigoloff, has declared the $4 billion retailer bankrupt, under Chapter XI protection, hoping to get goods moving into its stores again. An announcement was expected at presstime of plans to move Wickes headquarters from San Diego to Santa Monica, Calif.

Dealers' solar programs rise, while OPEC's prices fall

NATIONAL REPORT—Until recently the strongest allies of solar heating were OPEC and the Federal Government, which encouraged citizens to meet rising oil prices with increased conservation.

Now, as both the cost of oil and the Energy Department's budget are being reduced, many retailers are embarking on programs that were developed during the energy crunch.

While lower fuel costs may result in less customer interest in conservation, at least in some regions, the industry consensus is that over the long run energy awareness is inevitable.

Indeed, the National Assoc. of Home Builders research foundation anticipates that by mid-decade 25% of all new homes will have passive solar. One consulting group placed the current solar market at $150,000,000. A spokesman for the Passive Solar Industries Council said that figure was probably low.

"I don't anticipate that people will now be less energy conscious," said Horace Pierce, executive vice president of the Northeastern Retail Lumbermen's Assn. "Bring oil back to 50¢ per gallon and maybe you've got something."

The NRLA has just completed work on the nation's most extensive effort at making building supply dealers energy experts. The association expects to sell 200 to 300 of its display and audiovisual packages over the next few months.

The package includes a freestanding, 12-ft.-long point-of-sale display wall, divided into four panels. Each panel carries a separate message: maintenance and weather stripping; thermal products and insulation; solar energy, and merchandise product information.

(Continued on page 46)

NEWSBREAKS

POSNER INDICTED. Victor Posner, who is merging his Sharon Steel firm with Evans Products, has been indicted in Miami on 12 counts of conspiracy, tax evasion and falsifying tax records stemming from a charitable land contribution he made to Miami Christian College in 1975. The indictment claims Posner evaded $1.25 million in taxes on the land he evaluated at $3 million, which the Government assessed at $1 million.

SCOTTY'S GOING SOUTH. Scotty's, Winter Haven, Fla., has reached an agreement in principle to acquire the seven RCB Lumber stores in the Florida Keys. The announcement came as the 90-store chain declared a 5 for 4 stock split and an increase in its cash dividend to 15¢ per share, both payable Aug. 2.

Marketing dispute delays electronic ordering system

By Molly Brauer
NHCN field editor

NATIONAL REPORT—A newly developed system that could link distributor and manufacturer computers in the hardware industry, and pave the way toward a national electronic order-entry system, has hit a snag.

Manufacturers and distributors are in limbo as they wait for a dispute between American Hardware Data Systems, a subsidiary of the American Hardware Manufacturers Assn. (AHMA), and National CSS to be resolved.

The current dispute centers on the marketing of a system which would allow dissimilar computers to communicate through a central information storage and switching point.

According to William Farrel, executive director of AHMA, the board met at the Southern Hardware Convention in Houston last month, and is now considering three options: a joint solution worked out with National CSS; selection of an alternate firm to market the system; or taking on the marketing task internally. While no immediate time schedule has been adopted, the board is looking to settle the matter quickly.

The system, which is akin to "Trans Net" in the transportation industry and "Order Net" in the drug industry, would allow wholesalers to place orders with hardware manufacturers on a national basis.

The software program, called EAGLE, would offer an alternative to using the mail to submit purchase orders.

"The system would act as a computer liaison between distributors and manufacturers by cycling distributors' orders through an "electronic mailbox," converting the orders, in

(Continued on page 43)

Exclusive NHCN/NAHB survey

DIY interest in energy levels off

NEW YORK—Homeowner interest in making energy-related improvements seems to have reached a peak, according to preliminary findings of a nationwide survey conducted by *NHCN*, in conjunction with the National Assn. of Home Builders.

The survey was directed at owners of homes built 10 years ago, or more, asking whether they had purchased, or planned to purchase, certain energy products. In 23 product categories, the percentage of prospective buyers was consistently lower than the percentage of those who had already made purchases.

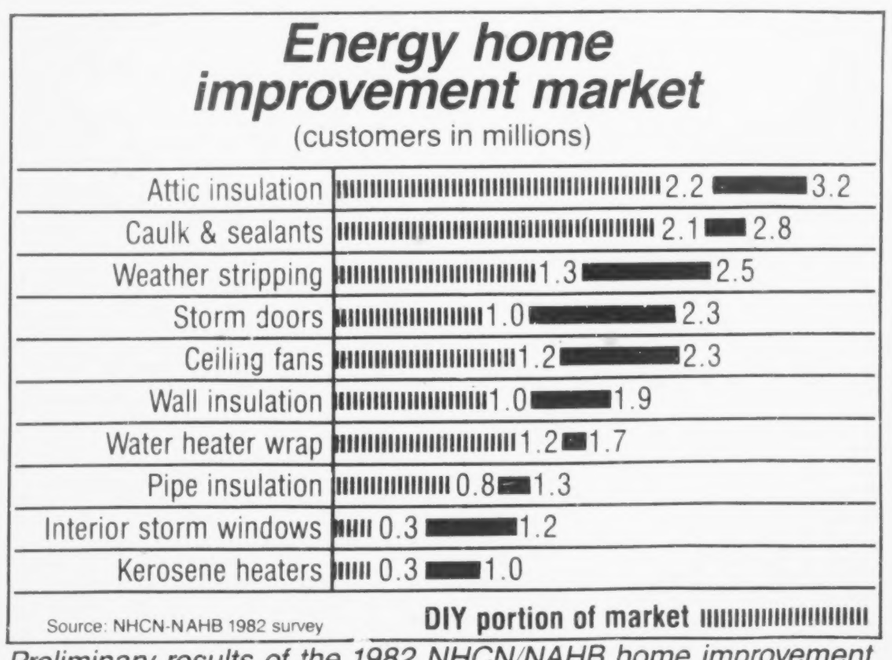
The size of the energy products market remains large, however, despite the ebb in consumer interest, which is perhaps temporary, reflecting reaction to declining oil prices and the recession.

Significantly, those who planned to purchase energy products indicated a high degree of willingness to install the products themselves, the study indicated.

For example, in the near future 2.8 million homeowners are expected to purchase caulking, while 2.5 million and 3.2 million respectively should buy weather stripping and attic insulation. Of those customers the majority—76.5% in the case of caulking—will be DIYers.

Caulking, weather stripping and attic insulation are the most popular improvements being made to single-family homes. They are also the projects most often undertaken on a DIY basis. Still, only 6.4% of the respondents said they planned to purchase caulking, while 21.5% had already done so.

(Continued on page 46)


Energy home improvement market
(customers in millions)
Attic insulation 2.2 3.2
Caulk & sealants 2.1 2.8
Weather stripping 1.3 2.5
Storm doors 1.0 2.3
Ceiling fans 1.2 2.3
Wall insulation 1.0 1.9
Water heater wrap 1.2 1.7
Pipe insulation 0.8 1.3
Interior storm windows 0.3 1.2
Kerosene heaters 0.3 1.0
Source: NHCN-NAHB 1982 survey
DIY portion of market

Preliminary results of the 1982 NHCN/NAHB home improvement poll show that while interest in energy products seems to have reached a peak the DIY approach remains strong.

Ole's opens 34th unit amid bargain madness

MONROVIA, Calif.—A throng of well-behaved shoppers applauded politely as Ole's Home Center officials and local politicians held a ribbon-cutting ceremony to mark the opening of the chain's 34th outlet.

But good manners disappeared when the doors opened and some 500 bargain-hunters rushed to be among the first customers inside the sleek, new home center.

"It's a madhouse," gasped one woman as she maneuvered a shopping cart containing her three preschool children toward the nursery department in the 40,000-sq.-ft. unit.

Within two hours of the March 25 opening, cashiers had rung up sales of 900 plastic trash cans and 100 barbecue grills, items heavily discounted and advertised in pre-opening circulars.

Ole's, a popular and high profile $160 million (estimated) chain, has continued on an expansion-oriented path despite the economic woes befalling much of the DIY industry.

Harvey Knell, Ole's president and son of company founder and chairman Max Knell, said two more stores are slated to open this year, in Oxnard and San Leandro—both California cities outside Ole's traditional Los Angeles-area stronghold. The chain which opened its 33rd unit Feb. 4 in South Pasadena, also operates three outlets in Las Vegas, Nev.

The Monrovia store, located in the San Gabriel Valley, is only a few miles from the company's Pasadena, Calif., headquarters. It and a Mervyn's Department Store are co-anchors in the Huntington Square Shopping Center under construction in a heavily traveled area north of the Foothill Freeway.

The store contains some 30,000 sku's and is a high-cube prototype with 84-in. gondolas instead of the 61-in. gondolas which are common at Ole's older units. The higher profile, said Robert Mendes, vp-sales and promotion, "gives us a better visual presentation of merchandise and allows us to put more goods on the floor and eliminate warehouse space."

Former Lindsley exec to open DIY warehouse

MIAMI—A new warehouse-type home center operation is being launched by several industry executives led by Pat Sher, former head of Lindsley, the Florida enterprise.

The group plans a Sunbelt chain called HomeOwners Warehouse, with four openings during the next 18 months and four new units added annually.

The first store should be opened by the end of this year, although its location has not been finalized, he said. Units will be opened in pairs in major cities, but specific markets were not disclosed.

"I think in metro areas this warehouse type of approach is the future of the business," said Sher. "It's no secret that we've had Home Dept in the market. I like their concept, although we will not be a Home Depot."

The HomeOwners Warehouse stores will be 60,000 sq. ft. to 70,000 sq. ft., with 30,000 to 35,000 sku's. It will be different from Home Depot in appearance and emphasis, according to Sher.

"It's possible to pass on savings to DIYers and not be disheveled," he said. "Our main thrust will be building materials."

The chain, however, will also carry housewares and automotives.

"Our margins will be in the same area as Home Depot's," he said. "They talked about 30% margins, but I've seen them reduce that."

"We've got to get in the neighborhood of $100 per square foot to make it pay," he said.

Sher, who spent the earlier part of his career at Sears, left 40-store Lindsley, which is part of Evans Products, to start this new venture.

"I was fortunate enough to be able to put together a corporation where I have the greater part of the equity," he said. "We've raised a considerable amount of money."

Other members of the private corporations were not disclosed.

"Our objective," said Sher, "is to be a major home center chain."

Proposed legislation would end FTC restrictions on ad claims

By Ken Rankin
Washington correspondent

Federal Trade Commission restrictions on comparative price advertising by home center chains and other retailers would be virtually eliminated under new legislation proposed by Reagan Administration FTC chairman James Miller III.

Under Miller's plan, the agency would no longer take action against ad claims expressed as opinions rather than facts, and commission regulators would further be required to determine whether *reasonable* consumers are likely to be misled by a statement before challenging it as deceptive.

In addition, the FTC would be barred from filing deceptive ad charges unless the agency uncovers evidence that consumers have been materially injured by an advertising claim.

According to commission officials who developed the proposed new ad enforcement shift for Miller, overzealous FTC regulators have harmed consumers by discouraging price advertising by retail chains.

"These cases involve claims that an advertised price represents a special sale price, or a substantial discount from the 'regular' price," FTC Consumer Protection Bureau director Timothy Muris said in a new policy analysis prepared for Miller.

While such ads may technically mislead consumers if the reference price is inflated, there is no evidence that they cause any direct harm to consumers, he concluded.

"It is very difficult to see why consumers would pay more for the product even if the 'regular' price claim were true," Muris

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Wolohan's uses computer to centralize buying

SAGINAW, Mich.—Wolohan Lumber store managers are doing 10%-12% less purchasing as the 34-unit chain's central office uses its new data processing capabilities to take on more of the buying load, according to president and chief operating officer David Wallace.

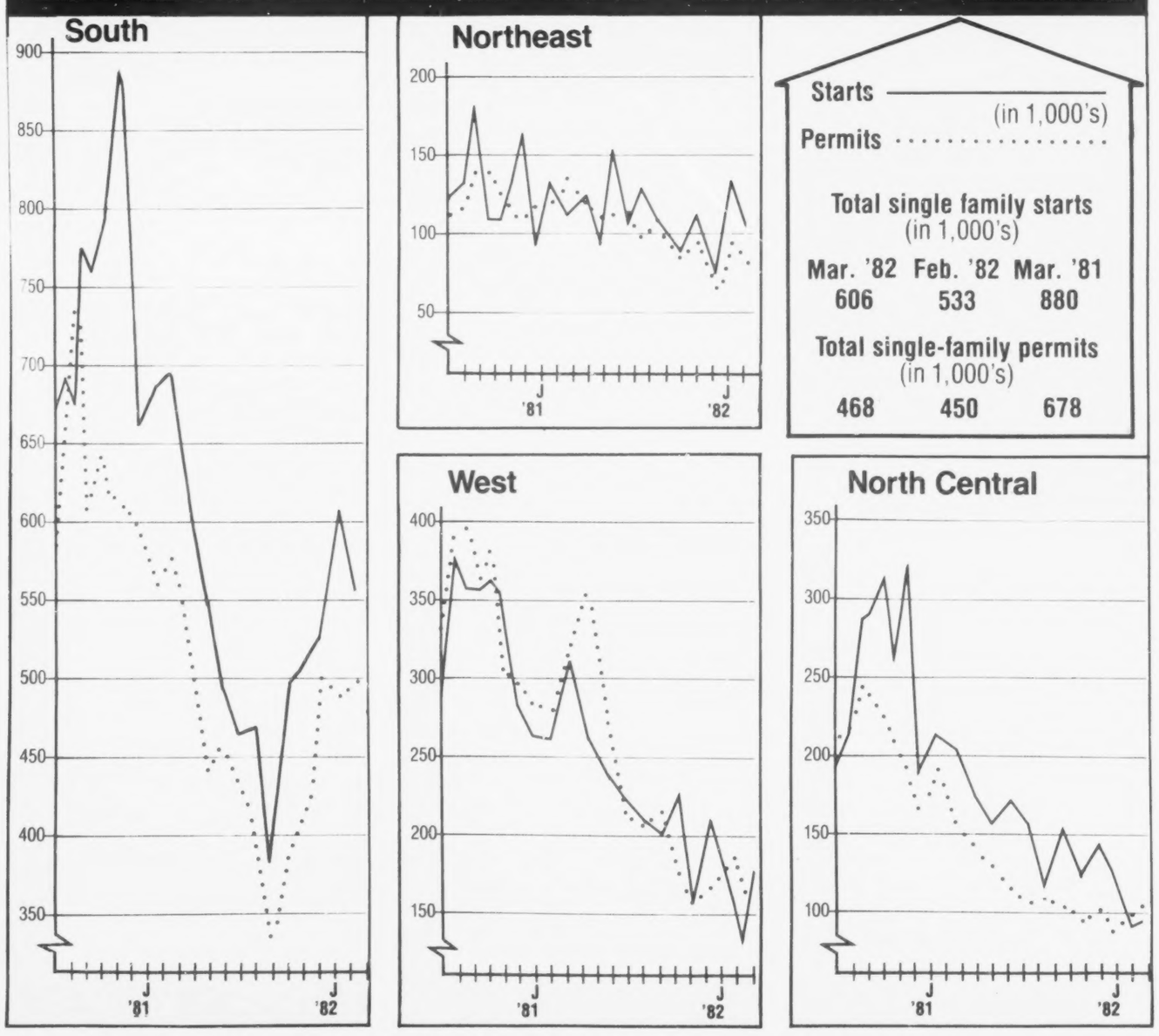
The company put a point-of-sale system into all its stores last year and information is "flowing from each center's IBM cash register onto a diskette that goes to our data processing offices," its annual report related.

Wallace said that the system is allowing a review of all inventory and creating more opportunities for central purchasing.

"As you go with a point-of-sale system," he explained, "you do purchasing at the place where you have the information. The system helps control inventory, but it's our feeling that the store managers need time and talent to manage their

(Continued on page 43)

March housing activity



Annual housing starts rose 2.5% in March to a seasonally adjusted rate of 947,000. Permits were up 9.4% to 870,000, seasonally adjusted, after a 4.4% drop in February. Single-family starts climbed 8.4% to a rate of 606,000. March was the eighth consecutive month that the seasonally adjusted figure for total starts was less than one million.

INSIDE

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 10. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 10 May 10, 1982

Energy '82

Dealers up ad campaigns to help energy sales

NATIONAL REPORT—A year ago home center merchandisers were riding on a wave of consumer demand for energy-saving products. Reports estimated energy conservation spending had doubled from the year before to more than $8 billion, and was expected to triple in five years.

Home center retailers expected a continued climb in energy sales, but 1981's weakened economy has forced a change of outlook.

George Poulos, vice president of merchandising for 36-store Wolohan Lumber, thinks the energy department fad has "reached a plateau and it's stabilizing. The ball has moved to the energy companies' court now, and they will be doing more to promote the idea through home energy checks and efforts in other parts of the economy." Business as a whole is down, making energy buying for the fall more tenuous as home centers try to adjust to an uncertain economy.

Wolohan Lumber doesn't advocate energy departments, but the chain, "reminds people of the potential tax credits for energy improvements," through tabloids, newspaper ads and signs on products in the stores. The chain promotes the energy concept sparingly, reserving the idea for special promotions or store openings.

Jim Cohen, vice president, director of operations for Bridgeton, Mo.-based Central Hardware, has implemented a direct strategy to combat what he sees as the primary difficulty with energy sales momentum, "The primary factor is our weakened economy; weather comes and weather goes, fuel costs fluctuate, but people simply don't have the money."

Central has developed a fluid financing plan to win long-term customers rather than short-term sales gains. "We've taken a very aggressive stance with our credit programs. We finance insulation and installation at extremely low rates, and we have been known to set up a credit schedule with no interest for six months." The standard schedule is only slightly less dramatic than the no-interest time payments; it's a 6% deal on minimum orders of between $100 and $250.

"We view financing as a merchandising tool, and use it as a stimulant to maintain customer base," explains Cohen who adds that Central advertises financing as well as energy products. Advertising is reinforced at stores with signs reminding customers that financing is available, and Central has a complete energy house in each store illustrating energy-saving products on a year-round basis.

Advertising is one way to keep customers coming in the door and the competition at bay. Craig Taelman, general manager of Circle Lumber, South Bend, Ind., puts it bluntly: "The competition in our immediate area had a decrease in volume [on energy items], but we get a larger portion of the business because of aggressive advertising despite being in an extremely depressed area."

Circle Lumber relies heavily on the usual tabloid format (circulation of approximately 140,000), which reminds DIYers of energy improvement tax advantages. The company tried TV and found it expensive, so the funds will be shifted to radio which portrays Circle's image more effectively.

In addition to hearing jingle humming customers in the aisles, Craig Taelman tells a story that illustrates a Madison Avenue achievement par excellence. Circle's radio jingle uses the store motto "Helping You," and a nearby home economics teacher from Niles, Mich., was enlisted to make a promotional banner for the store. "As she was laying out the words 'helping you' her classroom charges burst into song completing the jingle."

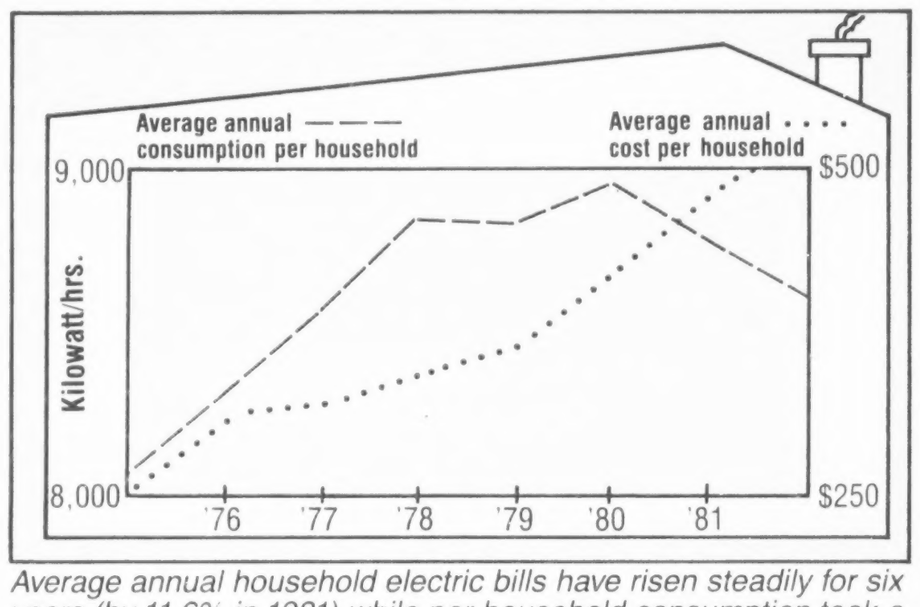
Nick Whitesell, merchandising manager of five-store Handyman, estimates that his chain will, "commit more dollars to the advertising budget—probably about 5% more—just to keep the percentage of the market we have now."

(Continued on page 31)

U.S. fuel expenditures and consumption

Type	Consumption (in quadrillion Btu's)		Cost (in billions)	
	April 1979-March 1980	April 1978-March 1979	April 1979-March 1980	April 1978-March 1979
Natural gas	5.3	5.6	$17.8	$15.3
Electricity	2.4	2.5	32.6	29.9
Fuel oil, kerosene	1.7	2.2	10.7	8.6
Liquid petroleum	0.3	0.3	2.1	1.7

National fuel consumption dropped in every fuel category surveyed by the DOE except liquid petroleum gas (level), while costs rose across the board from April 1978 to March 1980.



Average annual household electric bills have risen steadily for six years (by 11.6% in 1981) while per household consumption took a 2% dip in 1981.

Source: Edison Electric Institute

Insulation margins sagging as demand levels

NATIONAL REPORT—Stabilized demand for fiberglass insulation in the face of excess supply has turned a product once on allocation to home center dealers into a low-margin commodity used to build traffic.

Insulation production capacity is at its highest levels in years, as manufacturers expanded facilities at the turn of the decade to respond to an overwhelming surge in demand.

Now, with new home construction at its lowest level since World War II, and consumers sweating out the recession, demand for insulation has tapered considerably, leaving what one industry source described as a two-year supply currently on the market.

"Sales are somewhat in the doldrums right now," said Don Stratton, commodities buyer for Hardware Wholesalers Inc., Fort Wayne, Ind. "Wholesale prices have been fairly stable but there is some rather strange pricing at the retail level," he said.

"Insulation products are being used as loss-leaders or low-margin leaders for whatever the reason and that's bad merchandising," he declared. Stratton concluded that it was "a buyer's market."

At three-store, Philadelphia-based Mr. Good Buys, co-owner Dan Neduscin has seen margins "drop drastically" over the past two years.

"I've had to throw out the laws of the marketplace," said an exasperated Neduscin. "The supply of insulation is up, the demand is way down, but the wholesale price is going up."

"It's not a great item for us," he said. "We're basically forced to carry it," adding that the stores carry $15,000-$18,000 in insulation inventory.

Mr. Good Buys stocks the Johns-Manville brand of fiberglass blanket-type insulation exclusively in four foil-faced sizes and one unfaced size at price points of $7.50-$14.75. Neduscin said that sales were up in panel foam insulation, selling for $3.15 per 32-sq.-ft. package.

The Mr. Good Buys' Baltimore unit features a new display area complete with informational signage about various types of insulation and relative R-values, Neduscin said.

Hector Rochon, purchasing director for six-store Herr Lumber, Seattle, has seen his chain's profit margins drop by "up to 5%," the result of severe competition with other retailers. Insulation sales at Herr store have "held up fairly well," said Rochon compared to other products, reflecting the continuing "energy consciousness" of consumers in the chain's Northwest market area.

Herr stocks Certainteed blanket insulation in two styles and Thermalite, a locally produced blow-in product. Vermiculite, a loose-fill insulation supplement manufactured by W. R. Grace, is available on special order. Each Herr store carries an average $15,000 in insulation inventory.

Insulation profit margins have declined for Williams Brothers, the seven-unit Atlanta chain. "The profitability of insulation is marginal," said merchandising manager Jim Stansberry. "We're always running sales to maintain a competitive edge," he said. "We make very little on the products and basically see insulation as a traffic builder and good for our image as a complete home center."

Bob Henkle, president of independent Homeworks Home & Building Center, Grove, Okla., finds himself buying less frequently and in larger quantities in an effort to keep margins up. Henkle has increased his insulation inventory by one-third over the past 16 months and recently instituted a "slight" price increase.

The store carries Johns-Manville blanket-type insulation at price points of 16¢ per square foot for the 3½ in. and 26¢ per square foot for the 6-in.-thick rolls. Other insulating products carried include polystyrene sheets ("a big seller") and Thermax (4-ft. x 8-ft. urethane foam boards with foil back manufactured by Celotex) at price

(Continued on page 31)

'Energy House'

(Continued from page 17)

descript' insulation in the house," he said.)

Basically, companies in the business of home retrofitting seemed to have more funds available for this kind of promotional activities than the building materials manufacturers, Goss observed.

At mid-April the energy house was only 50% complete, with the electrical system yet to be installed. The house will be both over-electrified and over-air-conditioned, according to Goss, to accommodate an expected 7,000 visitors per day at the rate of 150 per hour.

With only 10 days to go before the opening, 45 manufacturers of energy products were represented in the house. The Victorian structure now has plexiglass walls and ceilings showing how insulation is applied, wall-mounted temperature gauges showing how ceiling fans reclaim heat, cut-away window frames to demonstrate the application of weather stripping, electric meters to show energy consumption of appliances, energy efficient lighting and skylights, wood stoves and solar units to demonstrate alternative fuels, water-saving plumbing devices and pipe insulation.

Participating manufacturers can use the Fair logo in advertising and promotion, Goss said. They will also have access to a mailing list compiled from a "Passport Survey" of house visitors, who will be asked to indicate product interest as well as provide information about their own homes. "This will help manufacturers find out where the market is going," Goss said.

"This is an unusual exhibit because rather than just providing energy saving tips we're recommending specific products," he said. "The famous solar house on eastern Long Island is designed along the same lines but who can afford $350,000 for a house these days. Most homes are old and in need of retrofitting with doors, windows, insulation, ducts. That's where the energy house is of very practical assistance to the average homeowner who wants to reduce his energy bill," he said.

After the Fair closes on Oct. 31, the house will be turned over either to the Tennessee Valley Authority or the City of Knoxville, with most of its energy-saving devices intact.

Insulation sagging

(Continued from page 19)

points of $8.56 for ½-in. boards, $9.29 for the ⅝-in. and $10.67 per ¾-in. board.

"This is a resort area and Thermax is used quite a bit in the building of summer homes," said buyer Mike Watts. "Folks down here continue to be quite energy conscious," he added.

Tom Hughes, president of nine-store Hughes Lumber, Tulsa, Okla., isn't surprised by the declining margins. "Whenever you have a commodity product such as insulation being produced in large quantities the result is relatively low margins," he said.

Sales of insulation are "off somewhat from last year, which was a very bad year," according to Wolohan Lumber insulation buyer Rick Thurston.

Increased competition has resulted in the cutting of margins by the 35-unit Saginaw, Mich.-based chain. "Retailers are all sharpening their pencils right now. There are so many DIY centers to choose from that you had better be down there in price," he said. "Consumers aren't concerned with brand name, just price," Thurston claimed.

Thurston said that suppliers have been pricing their insulation "more competitively" to allow the home centers to better compete. "Our distributors are working with us very well," he said.

One insulation product Wolohan won't carry is vermiculite.

Not all retailers are experiencing sales declines of insulating products. In Knoxville, Tenn., Bob Witt, president of three-unit Witt Building Materials described his sales as "improving" and attributes that to a growing awareness of energy conservation inspired by a recent large rate increase by the Tennessee Valley Authority.

Although Witt's overall business is 75% contractor, his insulation sales are equally divided between DIY and contractor customers. "There is a great deal of DIY reinsulation of attics with unfaced rolls to build up the R-values," Witt said, adding that he has been selling a "good bit" of Johns-Manville R-30 rolls for overhead use, a heavier than usual value for warm Tennessee.

Witt said that his margins "have not been significantly affected. We're not as competitive in insulation as we are with my basic building components," he said. Each Witt store carries $12,000-$15,000 in insulation inventory. Witt plans to expand into supplemental insulating products next fall.

Sales have also increased at the 23 Lloyd Lumber stores in Connecticut and New York, according to buyer Jim Hennebry. Lloyd carries Owens-Corning and Certainteed blanket-type as well as Dacotherm, a Texas-manufactured cellulose product. Hennebry said Lloyd will begin carrying vermiculite this fall. "It won't be a big item for us, but I like their national advertising and I feel it's a very useful product."

There is quite a bit of co-op advertising taking place, particularly coming from the major manufacturers of blanket fiberglass insulation, such as Owens Corning, Johns-Manville and Certainteed.

Most Owens Corning co-op revolves around the Pink Panther character. At Lloyd Lumber, he makes infrequent store appearances and his visage can be found at most home centers stocking Owens-Corning products.

Williams Brothers has been involved in a sales promotion presenting buyers of 10 or more Owens-Corning rolls with free 6-pack coolers bearing the O-C logo.

One store promotion which won't be repeated was a drawing in which the winner had his January heating bill paid for by the chain. "The state said it was an illegal lottery so we dropped it," said Stansberry.

At Herr Lumber, stores tie in with Certainteed's "Buck A Bundle" promotion and tag on to the manufacturer's institutional advertising.

Dealers up ad campaigns

(Continued from page 19)

His was among the more fortunate home centers last fall with energy sales up approximately 20%.

Handyman's advertising cements the cross-merchandising aims of an energy department without the need for a physical department in the store. Whitesell explains, "We feature a full page of energy related items in our tabloid—weather stripping, kerosene heaters, thermostats and accessories, and insulation—twice a month from September to December."

The best kind of advertising as far as retailers are concerned is free, and John Kay, president of Energy Works, Durham, N.C., has the jump on his competition in this regard. In addition to paid advertising, an ongoing series of educational seminars is held after hours in the closed store. The public relations announcements on these seminars are seen as a public service, and Kay says, "the media—mainly newspapers and radio, but TV responded as well—have been very favorable, and while it's hard to measure the impact of these seminars in dollar sales there definitely has been some impact."

Soft energy sales last fall have caused home centers to monitor their advertising efforts closely, and determine the most effective media. Mark Shuey, executive vice president of M. L. Claster and Sons, says his company, "is reviewing our advertising; we want to be more effective without spending more money. No amount of advertising can make people buy if they don't have the money to spend."

M. L. Claster is in Pennsylvania, a state which has been hard hit by substantial layoffs. Buying plans for the fall are conservative, and budgets for displays, advertising and promotion will also be conservative.

Shuey said, "All the new products coming out made us end up with a substantial amount of wood stoves on our hands." Last fall Claster's concentrated on closing out old heaters, and the chain is now out of the wood stove business.

The irony is that the store dropped kerosene heaters two years ago because of fuel and service problems.

Heater sales near $2B

(Continued from page 23)

cerned, I would like to see better labeling of products, and clearer installation and operation instructions," said James Hoebel, fire and thermal burn hazards program manager for the C.P.S.C., Washington. "This is especially needed with connection pipes, which many times are not properly labeled. We've found instances where consumers are using these pipes as chimneys."

The C.P.S.C. has recently joined forces with the WHA and the National Kerosene Heating Assn. to wage an educational campaign on the two products, stressing increased testing. "There has been little experimental data from testing thus far," Hoebel said.

M. L. Claster's, a 12-unit chain which dropped kerosene heaters a few years ago and is thinking of taking them on again this fall, will take "great pains" to instruct its salespeople on the proper employment of the heaters, said executive vice president Mark Shuey, who added there was about a "50-50" chance the chain would go ahead with its plans.

He also noted that, to give the Bellefonte, Pa.-based Claster's the image of a reputable heater dealer, and to stimulate return sales, the chain is considering selling the fuel as well in 5-gal. quantities.

"There's not much we can do once the customer leaves the store," Shuey said. "But I want to be sure we've done our part to educate the customer on how to use the equipment, and given him the feeling that we know what we're talking about."

SAP SUCKER

Monarch's NEW Label That Sticks To Wood

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Shoppers blamed for heater fires

NATIONAL REPORT—The market for supplemental home heating units to fight high energy costs continues to glow; combined sales of kerosene heaters and wood-burning stoves hit close to 4 million units and $2 billion in volume last year.

This growth, however, has caused a booming problem: more than 113,000 fires were related to the in-home use of these products in 1980, due mostly to consumer carelessness, according to the Consumer Product Safety Commission and Federal Emergency Management Agency.

Most industry and fire prevention experts concede there is not much retailers can do to keep customers from misusing the heating products. Nevertheless, the growing number of related conflagrations is cause for concern among dealers marketing the items.

Many observers worry that these fire statistics could be aggravated by the burgeoning growth of the kerosene heater and wood-burning stove industries.

Last year alone, kerosene heater imports jumped 100% from 1.6 million to 3.2 million, according to KeroSun, the Kent, Conn., importer with about 33% of the market share. "The use of kerosene heaters has expanded greatly in the last year, but there's no specific data on how many fires have resulted from that growth," observed Henry Tovey, product safety manager for FEMA, which oversees the U.S. Fire Administration.

Wood-burning stove sales also expanded rapidly for three years, up until last year, when unit sales fell to 600,000, 33% below 1980 totals, according to the Wood Heating Alliance, Chicago.

There is general agreement that the structural integrity of both product categories per se has little to do with the dramatic increase in fires related to their use.

A majority of the heating units on the market have gone through rigorous construction testing by Underwriters Laboratories, Northbrook, Ill.; in fact, 26 kerosene heater makers have submitted 133 different products for listing with UL, according to Enno Toomsalu, the testing agency's associate engineer.

As for wood-burning stoves, they have gotten a "bad rap for being unsafe; it's totally unwarranted," stated Byron Holmes, director for R. F. Giesser & Assoc., an East Providence, R.I., testing company. "But the DIY nature of the stoves has definitely contributed to their poor installation and, more significantly, inadequate maintenance."

The most prevalent errors committed by consumers installing the stoves, stated several industry sources, were the circumventing of building codes that require either a permit or professional installation just to save money; running flues through combustible walls; using the wrong chimney connections or relying on an unadapted fireplace chimney as a main vent, and, because of lax maintenance, allowing creosote to build up.

"No product is 'consumer proof,' but none of us has done a very good job at getting across to consumers the absolute importance of putting the flues in correctly," admitted Michael Sciacca, technical director for WHA.

However, even if the 44,000 building codes that govern United States municipalities were uniform across the country, they would still be "unenforceable," according to Martin Henry, an expert for the National Fire Prevention Assn., Quincy, Mass. He pointed to estimates in Massachusetts, which has some of the most stringent codes, showing that 90% of all wood-burning stoves had been installed illegally.

Henry added that professional installation does not always provide complete safety either. In New Orleans recently, three fires were caused by professionally installed wood-

(Continued on page 23)

Fires in one- and two-family homes from heating units

	Total	"Solid fuel" heaters
1980	**147,200**	**77,000**
1979	111,500	48,000
1978	NA	43,000
1977	115,000	40,900

Fires from liquid fuel heaters All dwellings—1980

Total	**9,000**
Portable Units (mostly kerosene heaters)	600
Total residential fires	**758,000**

Fires from solid fuel heating units All dwellings—1980

Chimneys	47,000
Fireplaces	28,300
Fixed Units (mostly wood-burning stoves)	22,500
Stove connectors	8,700
Central furnaces	2,000
Portable units	1,400

The boom in wood-burning stove and kerosene heater sales in the past three years has been accompanied by an alarming increase in residential fires, due in part, to consumer carelessness.

Seven states continue kerosene heater ban

NATIONAL REPORT—A state-by-state survey of laws regulating the sale and use of kerosene heaters revealed that seven states continue to ban their sale for home use: Arizona, California, Indiana, Massachusetts, Oregon, Utah and Washington.

Five of the states (Colorado, Indiana, Oregon, Utah and Washington) have adopted the Uniform Mechanical Code's section 807c, requiring space heaters to be "permanently fixed 8 ft. above the floor with permanent ventilation openings above and below the heater totaling 9 sq. in."

The National Kerosene Heater Assn. has challenged this interpretation of the section, claiming it does not apply to kerosene heaters. Montana, Nevada and Wyoming subscribe to the UMC, but local fire marshals have not interpreted section 807c as banning the sale of the heaters for home use.

Thirteen of the states surveyed subscribe to chapter five of the 80-page National Fire Protection Assn. code #31 which requires that the heaters be "listed" (approved) by a national testing laboratory, usually the Underwriter's Laboratory which has developed safety Subject 647 encompassing kerosene heater safety requirements.

To receive a U.L. listing under Subject 647, a heater must undergo tests for such characteristics as fuel leakage, corrosion, temperature and durability.

The NKHA has devised "model legislation" addressing the legalization of sale and home use of kerosene heaters. The legislation proposed by the group would require heaters to be listed and would also ban "old-style" heaters not approved by a national testing laboratory.

NFPA #31 also addresses general safety precautions, recommending that the heater not be operated near combustibles, not be overturned, have a metal tray underneath the burner to catch kerosene leakage and have a primary safety control to stop the flow of kerosene in event of flame failure.

States which have adopted the basic tenets of the NKHA model legislation include Connecticut, Delaware, Maryland, New York, Ohio and Rhode Island.

Seven states have no statewide regulations concerning the use of the heaters in homes. These include Louisiana, Missouri, New Jersey, North Carolina, North Dakota, South Dakota and Texas.

Even in those states with statewide codes, local ordinances take precedence. For example, the New York State code approves listed heaters with less than 2-gal. capacity, but New York City fire regulations prohibit their use anywhere in the five boroughs.

Other cities banning the use of the heaters in homes, overriding state codes, include Baltimore, Philadelphia, Washington and Wilmington. A 1978 U.S. Fire Administration survey of 148 major cities revealed that 63 prohibited use of the heaters in homes.

According to *The New York Times*, over 700 local municipalities in New York State alone prohibit the home use of the heaters. The U.S.F.A. estimated that there are over 44,000 code-making authorities in the United States.

The following is a state-by-state summary of regulations concerning the sale and use of portable kerosene heaters:

ALABAMA—Subscribes to National Fire Protection Assn. code #31.

ALASKA—NFPA #31.

ARIZONA—Home use prohibited.

ARKANSAS—Heater must be listed.

CALIFORNIA—Sale of unvented heaters for use in dwelling is prohibited. An amendment permitting the sale of the heaters has been passed by the Assembly and awaits Senate action. New law would be subject to approval of state fire marshal who could promulgate overriding local ordinances.

COLORADO—Uniform Mechanical Code.

CONNECTICUT—Heaters must be listed. Sale and use of barometrically fed fuel control space heaters is prohibited.

DELAWARE—Heaters must

(Continued on page 26)

Heater sales near $2B

(Continued from page 22)

burning units that caught fire because their instruction labels weren't removed from the back of the equipment.

Kerosene heaters, on the other hand, pose more complex safety problems. "Unfortunately, there are no firm guidelines to tell you exactly when and where a kerosene heater is safe," stated an October 1981 article in Rodale's *New Shelter*, which did a comprehensive survey on the safety aspects of 16 best-selling kerosene heaters.

It noted a major problem is the difficulty of finding the correct fuel. Oil companies have been reluctant, for legal reasons, to label their kerosene as safe for heater use. Moreover, according to NFPA's Henry, some dealers have been "capitalizing" on the kerosene heater boom by selling consumers grade JP-K fuel (a volatile mixture of kerosene and gasoline) or other highly flammable mixes. (Manufacturers insist that water-clear kerosene be used with a minimum sulfur content of 0.4%.)

Consumers have also been careless about where they place the heaters in their homes at times positioning them near combustible drapes.

Perhaps the most debated concern is the question of in-home pollution and possible suffocation. Unvented kerosene heaters produce carbon monoxide that, some experts contend, is not sufficiently diluted by normal air ventilation in the home, which changes about every 90 minutes. Ironically, the better insulated the house, the less air is circulated, allowing the fumes to linger.

While most manufacturers recommend that a window be left slightly ajar to insure good circulation, critics feel consumers are ignoring this advice in the winter because it reduces the heater's effectiveness.

Walter Tutak, however, questions whether there is a real danger. The director of engineering for KeroSun noted in an article for the November 1981 *Fire Journal* that the peak carbon monoxide concentration from the heaters would be 17 parts per million, one-third the current limit of 50 ppm set by the Occupational Safety and Health Administration.

"As far as the stoves are con-

(Continued on page 31)

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STOCK PRICES

	As of 4/14	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	28½	48¼	26	6
Diamond Int'l (NYSE)	38½	41¼	26¼	19
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	12½	26½	11¾	12
Forest City (AMEX)	11¾	20⅛	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	38¼	54⅛	34⅜	5
Lowe's (NYSE)	14¼	18⅞	10½	16
Payless Cashways (NYSE) (Furrow)	19¾	20¼	15¼	15
Scotty's (NYSE)	19¼	26⅝	15⅛	10
Southwest Forest Industries (NYSE) (Dunlap's, Knox Lumber)	11⅞	26⅞	11⅜	11
Wickes (NYSE) (Wickes Lumber, Builders Emporium)	4	17	3⅞	3

*$ in millions

Over-the-counter stocks

	As of 4/14 Bid	As of 4/14 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber (Mr. Plywood)	8½	9	14¾	7½
Hechinger	16¾	17	23⅛	10¼
Hines Lumber	18	18½	23	15
The Home Depot	16½	17	18¼	7¾
Pay 'N Pak	14½	14¾	18	13⅛
Pay 'n Save (Ernst, Von Tobel's, Yard Birds)	17⅞	18	29½	16½
Scotts Seaboard [Scott's]	1⅛	1½	1⅝	½
Wolohan Lumber	3¼	3½	6⅛	3

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	3/31-1st qtr.	$713,960	$784,570	– 9	$5,560	$37,460	– 85
Forest City	1/31-4th qtr.	101,906	67,991	50	– 81	188	—
	1/31-Year	340,302	299,093	14	8,578	7,999	7
Lowe's	3/27-4 wks.	67,700	67,500	—	—	—	—
Scotty's	3/27-5 wks.	32,894	34,735	– 5	—	—	—
	3/27-3rd qtr.	77,935	79,017	– 1	4,051	3,149	29

*$ in thousands

Scotty's 3rd qtr. net up 29% over '81

WINTER HAVEN, Fla.—Despite relatively flat sales during its third quarter ended March 27, Scotty's benefited from expense and inventory control measures and increased gross margins to report a 29% hike in net earnings as compared to 1981's third quarter, according to Harold W. Taylor, senior vice president and chief financial officer.

Net income for the period reached $4,051,000, but sales were down about 1% from the same quarter a year ago to $77,935,000.

The third quarter volume figure included $32,893,940 for the five weeks ended March 27, officials said. Sales for the March period were 5% off volume from the five-week period ended March 28, 1981 when sales were 35% higher than the previous year.

The quarter's sales were also helped by the grand opening of Scotty's Port Orange, Fla., unit in February, which produced 6,655 transactions, the largest number for a three-day opening in the chain's history.

Among the factors that helped boost current third quarter profits was a small, 4% year-to-year increase in payroll and benefits expenses, analyst Smith Barney, New York, said. Scotty's has been cutting back its help recently (*NHCN*, Feb. 15).

In addition, the 89-store chain was able to claim a $175,000 LIFO (last-in, first-out) inventory credit after taxes, Taylor said. The LIFO credit helped gross margins advance from 28.9% to 32.6% although they would still have been in excess of 32% without the credit, Smith Barney said.

Another reason for gross margin improvement, the analyst indicated, was the slowing of contractor sales, about a third of business in 1981's third quarter but only slightly more than a fifth of sales in the current third quarter, meaning more DIY sales and better margins.

Net interest expense also decreased significantly on a year-to-year basis from $525,000 last year to only $99,000 in the most recent quarter, according to Smith Barney.

Despite its projections that sales would be off 5%-8% in Scotty's fourth quarter and earnings would be relatively flat compared to 1981's final quarter due to many of the same reasons for the third quarter profits increase, Smith Barney remains bullish on Scotty's stock.

The analyst complimented Scotty's officials for maintaining impressive results "in an admittedly weak environment."

He added, "We believe that the company is well positioned to rebound rapidly as consumer sentiment improves, discretionary purchasing power increases, and building activity picks up during the second half of this year."

Home Depot to offer stock

ATLANTA—The Home Depot has filed a registration statement with the Securities and Exchange Commission to make an offering of 500,000 common shares this month, company officials said.

Proceeds of the sale are scheduled to finance future store expansion and for general corporate purposes.

The offering, along with a 5 for 4 stock dividend which was payable April 30, is subject to shareholder approval of an increase in the eight-unit company's authorized common shares from four million to 10 million. At presstime, nearly all of the company's four million authorized shares were outstanding.

PEOPLE

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LUMBER REPORT

Deregulation changes rules

Freight and money crucial to lumber buying

By Phil Chiricotti
Special to NHCN

After 40 years of unprecedented economic expansion, subsidized by debt, financed by negative interest rates during a period of inflating asset values, the time of adjustment has come as we approach extreme illiquidity.

The Fed is adhering to tight monetary policies, while the whole world's need for capital is at an extreme. There is not enough money in the system and the need for cash flow is approaching epidemic proportions. Real interest rates are at a record high due to demand, the lack of money and the risk premium.

Two paths ahead

Adherence to present policies: Depression, massive bankruptcies, debt defaults, continued high interest rates, a sharp drop in the standard of living and internal political turmoil.

Reaganomic bailout: Monetary growth must be adequate and flexible. We must therefore abandon monetarism. The budget must be balanced and it doesn't matter how, but those deficits must be reduced. Adoption of these two principles will cause rates to drop and a recovery in one to two years as we reliquify. But we can only reliquify if rates drop sharply. There will be no recovery without a sharp rate drop.

Forest products in the 80's

Let's assume that there is some type of Reaganomic bailout and a budget compromise. (The eventual compromise should be the most significant factor in your internal forecast.) If so, what lies ahead for you? Resources and capital are being reallocated and the housing industry will probably not see 1.5 million starts for the balance of the decade due to structural problems, declining household formations and the affordability issue. The home of the 80's is going to be smaller and conventional housing is going to become less and less viable. The 80's will witness a sharp shift toward rental units and the factory-built housing segment is going to increase market share dramatically. Some feel that it will account for 50% of the shelter market by 2000. They also feel that the export potential is enormous. This is particularly important to you as a potential supplier.

The distribution of forest products is a basic industry and it is a viable industry, but things are not going to be done like they were before. Distributors will no longer be able to operate as just middlemen. They will have to handle products where their facilities and expertise are unique and needed.

The little guys are going to be bought out and we are probably entering the era of the bigs, but there will always be room for a good businessman regardless of size. Many independents and smaller companies will try to stay competitive by linking themselves to the buying, merchandising and marketing programs offered by the co-ops. There is going to be less business in total, but the pieces will be bigger for the survivors and some have reported sharp increases in market share just during the last 60 days.

Due to deregulation, the industry is truly facing a shortage of traffic expertise. We are trading money and freight more and more. It is therefore important that you make the transformation from being a lumberman to being a businessman. Rail rates are no longer a simplistic topic and the traffic manager cannot escape the transition period. Rates are changing rapidly and they go down as well as up.

Forget the mill price, the big variable in the equation now is freight, and the delivered price is becoming as volatile as the price of lumber. Whether you buy direct or buy from a distributor, make sure you aren't losing business because others are shipping cheaper. Business is going to be tough and competitive in the 80's, but you can increase your piece of the pie with freight advantages and you can improve your cash flow. Deregulation has not only changed the rules, it has changed the game as service to areas that are no longer profitable are dropped. This will force all parties to become thoroughly familiar with trucking. A good traffic man can also handle disputes and he can win settlements. Remember, the 80's are not going to be the years to give anything back and you can no longer rely on the railroads for information. Either you or your supplier must develop this expertise internally.

Inventory control is going to accelerate and the mills are going to end up holding more of the industry's inventory than ever before. This will cause some to try to get closer to the consumer and some distributors are already complaining about mill sales practices.

Credit worthiness will become an increasingly important aspect of product distribution. Participants are becoming aware of problems and more and more are likely to press for term compliance.

The level of consumption is going to vacillate dramatically with interest rates, and housing cycles will be shorter and more volatile than in the past. Volume and credit problems will continue to plague the industry and so will bankruptcies. It is therefore vital that you review your internal credit policies.

Production dislocations, freight rate changes and lopsided geographic consumption could destroy traditional specie relationships. In short, wood preference will continue to change with the economics of the delivered price.

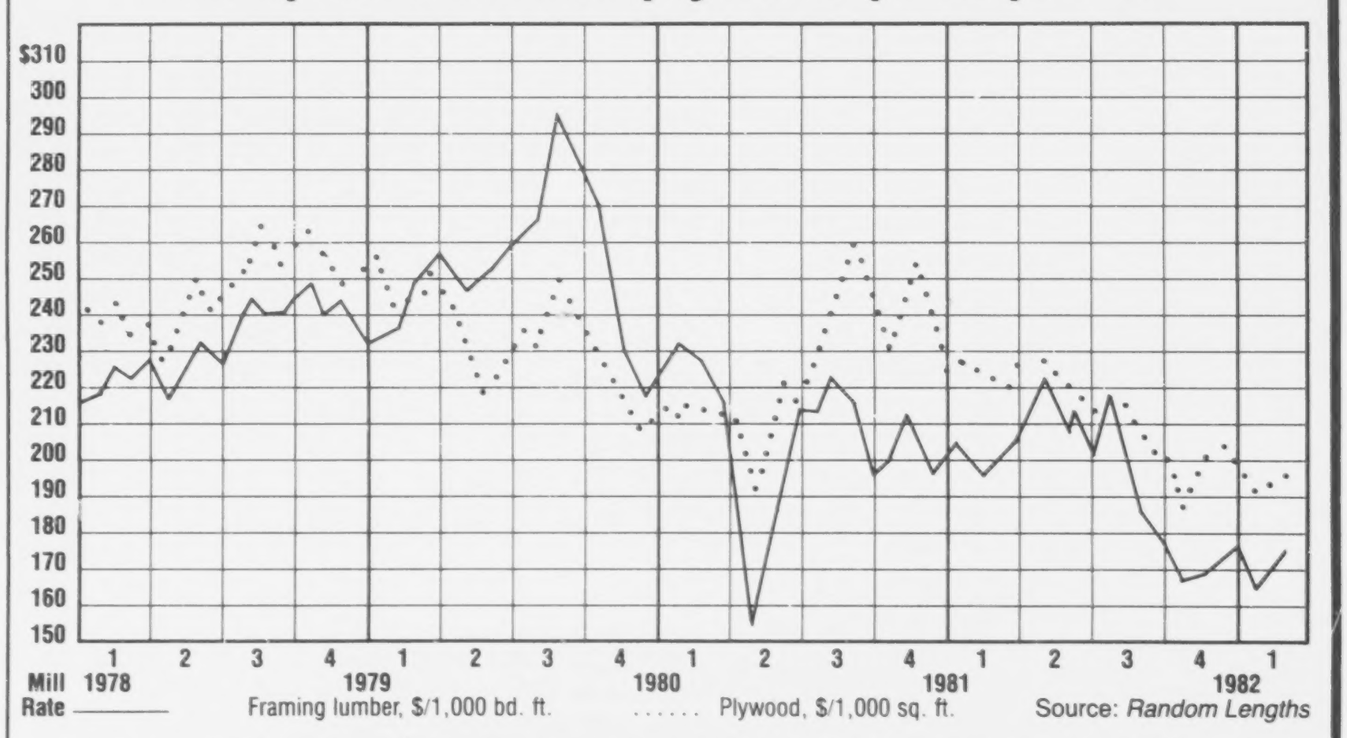
Business activity will not be uniform by area and the attempted shift toward Federalism and a service society will accentuate the trend toward radical shifts.

Everyone is going after the DIY market and like Waferboard, it will reach a point of saturation. That is why it is important for you to get on this factory-built housing thing NOW. The DIY market simply cannot carry the whole industry. The big days of new construction are gone and the pie is going to be redistributed; make sure that you get your piece. As a home center, you can't be all things to all people and you must decide where your expertise is. There is a market for the hardware store and there is a market for the low overhead, cheap price, limited-line operation. Divide up in teams and decide what you want to be. In short, determine where your state-of-the-art merchandising talent lies. You can't be all things to all people. The 80's will require you to diversify and specialize at the same time. The 80's will also force you to become a businessman. You are no longer going to make money in spite of yourselves.

Forget pessimism, bearishness, bullishness and optimism. The only thing that counts is being right.

Phil Chiricotti is the editor of Chiricotti's Lumber and Plywood Forecast, *and is director of forest products for K & S Commodities, Chicago.*

Composite lumber/plywood price profile



With the spring break in the weather, prices, which hovered at break-even levels at winter's end, climbed slowly upward. Framing lumber averaged $174 per 1,000 bd. ft. and plywood averaged $194 per 1,000 sq. ft., based on Random Length's weighted measure of nine framing and seven plywood key items.

FUTURES

Two weeks ended April 16,1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May '82	145.20	135.10	136.80	139.10	2,840	220.30	135.10
July	156.20	146.50	147.30	151.00	2,520	224.50	146.50
Sept.	163.30	154.90	157.10	159.10	899	229.50	154.90
Nov.	164.30	156.60	158.00	160.20	545	224.50	156.60
Jan. '83	171.00	164.00	165.00	166.80	304	205.50	164.00
March	179.50	172.50	173.50	175.90	51	209.80	171.50
May	186.50	179.80	180.40	182.90	73	202.00	179.80

Total Contract Vol. (Through 4/16): 16,013 — **Previous Two Weeks: 14,899**
Total Open Interest (As of 4/15): 7,266 — **Previous Week: 7,166**
Cash Price: $128.30 — **Previous Week: $130.34** — **Year Ago: $162.68**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
May '82	168.60	153.50	155.00	160.90	1,819	241.00	153.50
July	173.70	158.60	160.30	165.80	1,105	219.00	158.60
Sept.	178.00	168.50	164.50	170.30	524	224.50	163.50
Nov.	182.00	167.00	167.80	173.30	260	226.50	167.00
Jan. '83	185.90	169.00	171.30	176.90	98	218.60	169.00
March	191.00	176.50	176.50	181.00	0	196.30	176.50

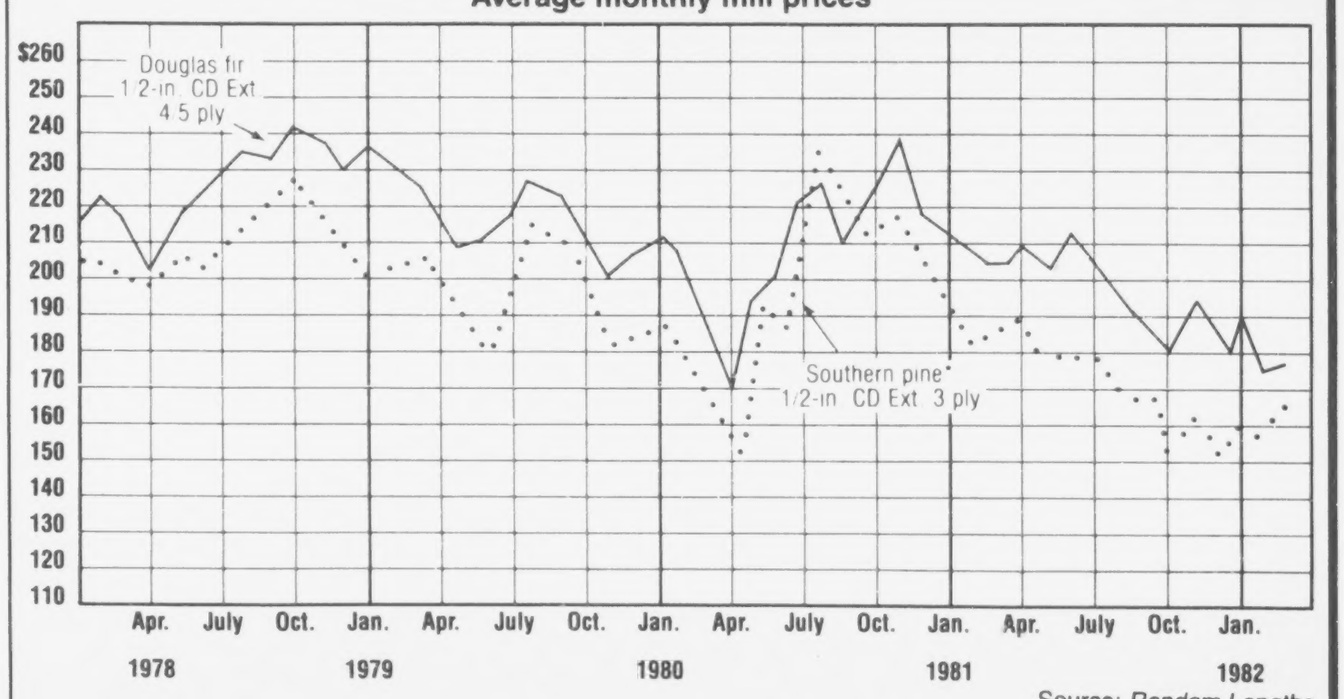
Total Contract Vol. (Through 4/16): 5,000 — **Previous Two Weeks: 4,488**
Total Open Interest (As of 4/15): 3,806 — **Previous Week: 3,782**
Cash Price: $158.76 — **Previous Week: $164.64** — **Year Ago: $203.84**

COMMODITY RESEARCH BUREAU INDEX:	This Week 255.0	Previous Week 256.9	Year Ago 294.3

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, April 15.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Southern pine prices are moving upward, although slowly. The weather has improved. Also, demand remains high in portions of Texas and there has been export activity. Inventory already in the pipeline seems to be moderating price increases, however.

Western prices are not experiencing similar strength. They remain relatively flat, capped partially because of a soft futures market.

Wickes files Chapter XI

(Continued from page 1)

these two subsidiaries—reportedly $3 million a day—into other corporate funds.)

The decisions to stop these sales and to ultimately file Chapter XI were made despite indications that temporary relief from payment of Wickes' $1.198 billion in long- and short-term bank debt was on the way.

The group of 44 banks from which Wickes has borrowed $580 million in revolving credit and $618 million in long-term notes was moving "fairly well" toward approval of postponing the first payment of $70 million which was due April 30 in an effort to keep Wickes out of bankruptcy, said Richard Daniel, senior vp for Security Pacific National Bank.

However, Sigoloff countered that the information his management team had accumulated showed that even debt rescheduling would not be enough to offset Wickes' operational problems. "He indicated that there were more negative things happening than positive," said Daniel.

While Wickes failed to file its annual report and 10-K with the S.E.C. by the April 30 deadline, Wickes officials have acknowledged that losses for the fiscal year ended Jan. 31, are expected to exceed well over $80 million.

Sigoloff has not ruled out the sale of any of Wickes' 30 divisions and subsidiaries in an attempt to raise cash.

The bankruptcy filing came as little surprise to Wickes watchers, in light of Sigoloff's selection of several former-Daylin executives to top Wickes management posts—many of whom aided Sigoloff in taking Daylin through similar bankruptcy proceedings in 1975.

Among them is William Mallory, formerly vp and chief financial officer for Daylin, who now holds the same post at Wickes, replacing James Wilson who resigned shortly after Sigoloff took over. Also aiding Sigoloff is Jeffrey Chanin, the bankruptcy lawyer now serving as senior vp at Wickes, who was formerly president of Handy Dan in 1977-79, when the chain was part of Daylin.

Chanin and Sigoloff have both been named as members of the board, as has Preston Silbaugh, chairman of the Beverly Hills Savings and Loan Assn., and Rita Hauser, a senior partner in the New York law firm Stroock, Stroock & Levan. With the resignation of all 11 Wickes board members, except Elsworth Johnson, six seats on the board remained unfilled at presstime.

The largest question now before Wickes is how quickly its suppliers will resume shipping. Some of Wickes' larger vendors supply $6 million a month to the company's divisions, and have extended substantial lines of credit. Several suppliers contacted by *NHCN* expressed a willingness to support Wickes now that it is attempting to reorganize. Prior to the Chapter XI filing, a rapidly increasing number of suppliers had cut off shipments, or refused to deliver products except on cash-on-delivery terms.

Among major suppliers looking to support Wickes in Georgia-Pacific, the Portland, Ore., forest products supplier. A spokesman said that G-P had been shipping regularly to Wickes, despite its financial problems, and would continue to ship, with the hope that support now would be rewarded later with future business. He added, however, that credit terms would be re-evaluated, based on Wickes' liquidation and reorganization plans, a comment echoed by other suppliers.

Larry Pallitz, president for Commodore Products, Chatsworth, Calif., has instructed his distributors to begin shipping to Wickes again after a two-week stoppage. "Wickes has had a temporary setback, but this filing will make it stronger and in a better position to pay its bills," he said. "I have a lot of confidence in Mr. Sigoloff."

William Adams, executive vp for Armstrong, Lancaster, Pa., noted, however, that his company's people were watching financial developments at Wickes closely before they determine a new shipment policy. He acknowledged that "shipments had been severely limited."

A spokesman for Champion International, Stamford, Conn., said that shipments to Wickes were frozen in early April, noting that the company has been unable to reach Wickes officials since Sigoloff took over.

"Wickes hasn't communicated with us in a month," the spokesman said. "All we know about this [the Chapter XI filing] is what we read in the paper this morning."

Communication will be a vital ingredient to winning vendor support, note many observers. Wickes' Builders Emporium moved quickly on the Monday after the bankruptcy announcement in calling a meeting with its suppliers, but no new information was available at presstime on what changes would be made.

Wickes is largest firm to file under new code

NEW YORK—Wickes last month became the largest company ever to seek protection from creditors under the Bankruptcy Reform Act of 1979.

In an unusual development, two Los Angeles law firms are representing Wickes as co-counsels, probably due to the size of the case.

The firms, with nationally renown bankruptcy practices, are Gendel, Raskoff, Shapiro & Quittner and Stutman, Treister & Glatt. Gendel Raskoff was involved in the reorganization of Daylin, when Wickes chairman Sanford Sigoloff was at the helm of that company.

Both firms were involved in drafting the new bankruptcy code, as was a New York firm representing Security Pacific National Bank, a Wickes creditor. The bank's representative, Wachtell, Lipton Rosen & Katz, also played roles in the Chrysler bailout and W. T. Grant's bankruptcy.

Under the new code, Wickes has 120 days to file a reorganization plan and an additional 60 days for the plan to be accepted. Often with cases of this magnitude, deadlines are extended.

The new code was designed to encourage corporate reorganization rather than liquidation. Additionally, the court is now generally less involved. During the proceedings, a company can prune its assets without the court entering an order, providing the action is acceptable to the creditors.

NHCN/NAHB survey

(Continued from page 1)

Other relatively popular energy-related DIY projects are insulation of water heaters and installation of storm doors and ceiling fans. Again, although 10.9% of those surveyed said they bought ceiling fans, only 5.3% answered that they plan to.

That rate translates into 2.3 million fan customers. The market size for water heater wrap and storm doors is expected to be 2.3 million and 1.7 million customers respectively. Insulation sold for floors and walls and kerosene heaters should individually generate one million or more customers.

Solar products generated the least interest. No respondents have purchased a solar water heater and only 1.5% plan to, while merely 2.6% of those polled have either purchased or plan to buy solar film.

The survey divided respondents into those living in homes built in each of the past four decades and in pre-1940 structures. Overall, there was interest in energy-related projects among all homeowners.

On a product-by-product basis, however, there were differences, with owners of older homes showing more interest in attic insulation.

The *NHCN*-NAHB poll was conducted during the past several months from a random national sampling of single-family homeowners. The typical respondent was a well-paid professional, 35 years of age or older, living with his family in a home valued at more than $50,000 that was built after 1950.

A complete report covering all aspects of home improvement plans, and purchases will be published in the July 5 issue of *NHCN*.

AMERICA'S CABINETMAKER

Merillat®

Kitchen & Bath Cabinetry

Merillat Industries, Inc./2075 West Beecher Road
Adrian, Michigan 49221/Phone: (517) 263-0771

DIY solar programs

(Continued from page 1)

A LaBelle projector on the fourth panel, which carries racks of product literature, shows five-minute tapes on subjects including passive solar energy and energy audits. The NRLA also offers a program for holding customer clinics, as well as a comprehensive energy handbook.

The cost for retailer participation averages about $400, according to Pierce.

Generally, the Northeast seems relatively ahead in acceptance of passive solar compared with most other areas of the country. Maine's Hancock Lumber, for example, has been promoting construction of envelope type passive solar houses for the past three years.

Customers interested in having such a home built are referred to a contractor who buys his materials from Hancock. So far, 40 such units have been constructed. Essentially, an envelope home is one constructed with a cavity between the living space and exterior surfaces through which warming or cooling air can circulate.

Two months ago Hancock built a model envelope unit near its Casco, Me., outlet.

"We're getting 100 people through the house every weekend," said Tom Hancock, executive vice president. "While that may not result in traffic in the stores, it can't hurt. And it forms a good impression of Hancock."

The company also built a model sunspace, a greenhouse-like structure with a masonry floor to retain warmth, that can be grafted on to existing homes as a passive solar-heating source.

Other regions of the country, generally in the Snowbelt, have also shown interest in possibilities of passive solar construction. Last June, Kindt, Lomira Wis., built an envelope house at its Greenville, Wis., yard.

"On Saturday Jan. 9, which was reported to be one of the coldest days of the 20th century, over 100 people went through the house," said Richard Dunlap, manager of the Greenville operation.

While the temperature hit −20 degrees, with a wind chill that made it feel like −90, the house remained at about 65 degrees and cost $5.75 to heat over that weekend, $44.21 during the entire month of January, said Dunlap.

The Kindt effort was aimed at steering consumers away from certain other energy-conserving building alternatives such as underground houses.

"Our business is building materials," said Dunlap. "When people go underground, they don't use building materials."

Elsewhere, interest in solar varies. An array of solar-related information is available from Brookhart Building Centers, Colorado Springs.

"We act as a clearinghouse in terms of passing along information from community colleges," said Steve Ballard, a salesman, who is in the process of building his own solar home.

The story is somewhat different at Denver's Hugh M. Woods, which carries no solar paraphernalia, although it converted one of its own units to solar, with $52,000 invested to place panels on the roof.

"We were disappointed in it," said Randy Woods, president. "If it weren't for the tax credit and depreciation it wouldn't be worth it. We only saved $800 to $900 over the past winter.

"A lot of customers wanted to know about it. Manufacturers wanted to get us to sell it," said Woods. "But we specialize in self-service and don't try to provide two-hour sales pitches."

Pergament

(Continued from page 3)

divided between Shop Rite and Pergament. It was a solution impossible for department stores to afford in the Staten Island location.

Both Rickel and Pergament seem confident, however, that Staten Island can support the two giants. Rickel staff was present, however, at Pergament's board-cutting ceremony, and Pergament's executives took a post-luncheon stroll through the Rickel store down the road.

"The actual rebuilding of the old Korvettes location took about two months," estimated Harvey Ellner, vice president, construction. "The store conversion was only part of a larger project which encompasses storefronts and interiors of the entire shopping center," which Ellner expects to be complete in about three months.

Ellner said Pergament's building plan utilized as much salvagable material as possible, such as the terrazzo flooring from the original Korvettes, but the entire project is enormous. According to one source, the refuse carting fee alone was $60,000.

Pergament's plan includes everything from work on the shopping center's independent sewer system, to installing an elevator to convert the floor above the new store to an office building.

Frank Derice, district manager, listed the additional merchandise being sold in the expanded store.

A complete housewares department has been added. The automotive department has been increased from 72 running feet to 133 running feet, and a line of TV aerials has been introduced. Ceramic and mosaic tiles expanded from three sides to five, and floor tiles increased from eight sides to 11.

A bulk effect, using fringed area rugs, has been created on a special platform holding an increased stock of carpeting.

Derice noted that, "This store is larger than any of our others not in square feet, but in capacity."

He explained that Pergament planners are testing a new stock approach utilizing 5-ft. aisles rather than the usual 4-ft. aisles. The magic space comes from removing the end-caps of displays.and increasing stock capacity.

The electrical department has been broadened from two 8-ft. tables holding lamps, to nine 6-ft. tables of lamps.

Heating/cooling photo feature: p. 17

660019464
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WASHINGTON DC 20014

National
Home Center News ®

Vol. 8, No. 11 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. May 24, 1982
$7 per year $2 per copy

Sanford C. Sigoloff, Wickes Cos. chairman, president and ceo, is coordinating the financial rescue of the $4 billion retailer from the firm's Los Angeles offices. NHCN photo

Exclusive NHCN interview

Sigoloff: BE will likely remain a part of Wickes

The following interview with Sanford Sigoloff was conducted at the Los Angeles offices of Wickes Cos. by NHCN *West Coast editor Brad Altman.*

He was summoned to Wickes late in March and, after a quick diagnosis, filed for bankruptcy protection on April 24.

NHCN: Why did you choose to file Chapter XI?

SIGOLOFF: When I came to the company I indicated to the shareholders, banks and employees that we would have a parallel path. We would try to negotiate with the bank for an extension of our repayment, for changing the interest rate payment and also to get proceeds from the sale of subsidiaries.

I also said that negotiation was very complex and that the economy could continue to go sour and we might have a problem. But we would do whatever we had to do to preserve the assets. As I learned more and more about the company and as the weight of the lawsuits and certain actions by certain banks and creditors occurred, the decision was made to use the court to protect the residual assets.

NHCN: What were your options?

SIGOLOFF: There were only two: to negotiate and to get the protection of the courts. There were no other options. If you're referring to somebody else coming in and paying all of our debt for us I didn't think that was an option.

NHCN: What lessons are you applying from your experience in successfully taking Daylin through Chapter XI?

SIGOLOFF: Daylin is microcosmically part of what you

(Continued on page 4)

500 units may go by '83 as Wickes Cos. trims sails

Acts to reassure vendors

By Kenneth Schept
NHCN senior editor

CHICAGO—Wickes Cos. will have 12% to 18% fewer stores by the end of this fiscal year, Sanford Sigoloff, president and ceo, told a group of trade creditors here earlier this month. The company operates about 3,000 units.

Wickes Lumber, which thus far has been cut by 11 stores, may lose another 30, he said. The agricultural division will be divested, perhaps this month.

Sigoloff, who spent his first month at Wickes shifting management and visiting and sorting out the various operations of the $4 billion conglomerate, reassured trade creditors that Wickes was in a solid cash position for May with $126 million on hand.

In addition, he said, Wickes was seeking a loan of $100 million to $125 million at ¼% to ½% over the prime rate from several Chicago banks as a reserve for seasonal buying.

"The enormous problem right now is trying to understand what we don't understand," said Sigoloff. "We do not know the core groups that will make money." That information is not likely to come before the end of Wickes' fiscal year, January 1983.

Wickes filed Chapter XI in Los Angeles Federal Bankruptcy Court on April 24, after high interest rates combined with other factors to cripple the company, which has assumed a $563 million debt in its acquisition of Gambles-Skogmo in August 1980.

The May 5 Chicago meeting was attended by 60-70 companies representing about $70 million of Wickes' $230 million trade debt. The meeting, in a ballroom of the O'Hare Hilton, was organized by Black & Decker to unify trade creditors against the possibility that the banks would dominate the bankruptcy proceedings.

The need for unity became clear to the creditors because of their relatively small portion of Wickes' overall $2 billion debt and because of the way the case has been organized.

Four separate creditor committees have been formed by the U.S. Trustee in Los Angeles, where the case is being considered. The committees cover Wickes Corp., Gambles Corp., Wickes Credit and Gambles Credit. Bank representation dominates at least both credit committees.

In addition, most of the debt is unsecured, which essentially puts the banks and the trade creditors on the same footing. The sophistication of the banks and the size of their debt, however, could give them an edge in determining terms of the payback, although the final plan would require trade creditor approval.

The attempt to solidify trade leverage resulted in formation of an 18-member steering committee composed of companies that are owed money by Wickes, Gambles or both.

It remains to be seen whether that group, which is independent from the creditor committees formed by the U.S. Trustee, will be able to speak with one voice. A committee of 12 originally proposed was rejected because some suggested it was weighed in favor of Wickes' creditors over Gambles'.

That position was succinctly stated by Dennis O'Day, a lawyer with Keck, Mahin & Cate, Chicago, which is representing a Gambles' creditor.

"We don't want to see Gambles-Skogmo reorganized by the forest products industry," he said.

(Continued on page 38)

Wickes

Special report see p. 3

Three newcomers cop spots among top 10 TV spenders

NATIONAL REPORT—Despite financial troubles which resulted in its filing for reorganization under Chapter XI, the 340-store Wickes/Builders Emporium combination led all home center chains in television advertising during 1981, with $1,985,000 invested, a 164% increase over 1980's total of $752,000, according to the Television Bureau of Advertising.

Lowe's dropped from the 1980 No. 1 spot to third place, the result of a 31% decline in television advertising to $1,075,000. Channel, the second largest home center television advertiser during 1980, fell to seventh position last year with a total of $578,500, an 18% drop from 1980.

Newcomers to the top 10 list for 1981 included Ole's, in second place with $1,240,000; Hechinger's, which did no television advertising in 1980, in fifth place with $685,900; Sutherland, in sixth place thanks to a 125% boost in TV ad expen-

(Continued on page 39)

1981's top 10 TV advertisers

Chain	Market	Expenditures (in thousands) 1981	1980	% Change
Builders Emporium/ Wickes	Multimarket	$1,985.0	$ 752.0	+ 164
Ole's	Los Angeles	1,240.0	1,119.9	+ 11
Lowe's	Multimarket	1,075.0	1,558.0	− 31
National Lumber	Los Angeles	834.4	615.7	+ 36
Hechinger	Multimarket	685.9	—	—
Sutherland Lumber	Multimarket	664.9	295.6	+ 125
Channel	Multimarket	578.5	705.9	− 18
Plywood Minnesota	Multimarket	572.5	323.2	+ 77
Lumberjack	Sacramento	520.6	675.3	− 23
Pay 'N Pak	Multimarket	494.5	—	—

Source: Television Bureau of Advertising, NHCN chart

Moves into Florida Keys

Scotty's buys seven RBC stores

WINTER HAVEN, Fla.—In a move confirming Scotty's continued interest in a major move into the lucrative south Florida home center market, the 91-store chain has signed a formal purchase agreement with RBC Lumber, acquiring seven home center stores in the Florida Keys.

Located from Key Largo to Key West, the units will operate under the Scotty's name, with all RBC store-level employees transferring to Scotty's "contingent upon meeting company employee standards," according to a Scotty's spokesman.

District manager Peter Reilly and son Robert will "most likely" join Scotty's, according to the spokesman, although seven other headquarters personnel will not.

At presstime details of the agreement were not available, but it was learned that Scotty's will purchase outright the 20,000-sq.-ft. Key Largo unit and lease the other six. The agreement also involves the acquisition of RBC inventory and equipment.

The total cost of the deal was reported to be $3.3 million, ac-

(Continued on page 39)

NEWSBREAKS

DAVIDSON FILES CHAPTER XI. Responding to an attempt by six major creditors to liquidate the company, Davidson Lumber, Miami, has filed a petition of bankruptcy giving the five-unit chain 120 days to file a plan for reorganization. The stores will remain open during this period. At a May 10 meeting, a committee of the 10 largest creditors was formed. Total claim of the 604 unsecured creditors is pegged at $7 million.

HOOSIER STATE EXPANSION. Payless Cashways has added its fourth store in the Indianapolis area by acquiring a Dunlap's Home Improvement Center in Nora, Ind., from Southwest Forest Industries.

Lawn mower mfr. petitions for safety reg. extension

WASHINGTON—Power lawn mower sales may plunge 30% this summer and a number of suppliers and retailers may be forced out of business overnight if pending Federal mower safety standards are put into effect on schedule next month, officials from a major manufacturer warned the Consumer Product Safety Commission.

Those new C.P.S.C. rules will require two special safety features on all walk-behind lawn mowers distributed in the United States: a blade control to stop the blade within three seconds after the operator lets go of the handle, and special housing design requirements to prevent the operator's foot from coming in contact with the blade while the handle is held.

The C.P.S.C. estimated that the implementation of these safety requirements would significantly reduce the 77,000 injuries that occur each year from contact with moving blades of walk-behind power lawn mowers.

Originally, the implementation date was set for December 1981, but under lawn mower industry pressure Congress delayed it until June 30, 1982. Just recently, the June date has been called into question in a petition from Toro, a leading manufacturer.

In requesting a one-year extention of the effective date of the standard, Toro argued that "the imposition of the standard this June, following three years of depressed conditions within the industry, will have a devastating economic impact on lawn mower manufacturers, dealers, distributors and ultimately on the consumers."

The increased cost to consumers would be $203.92 million—an increase of approximately 29%—according to industry estimates.

"As a result of such a sharp increase in the price of lawn mowers that meet the new standards, and perhaps also as a result of consumer wariness of the new gadgetry, more layoffs, more plant closings and more

(Continued on page 37)

The driving force behind Anawalt Lumber's first ever broadcast campaign were the "kids" in the company: (l. to r.) brothers Gary, Dave and Jim Anawalt.

Anawalt 'kids' switch on chain's 1st radio ad blitz

NORTH HOLLYWOOD, Calif.—After 61 years in the lumber and home center business, family-owned Anawalt Lumber is finally testing the broadcast advertising waters with a 10-week radio campaign which broke April 12.

The $32,000 campaign consists of 18 60-second commercials per week over KABC, Los Angeles, an all-talk station which also broadcasts Los Angeles Dodger games. Three different commercials are being broadcast.

Advertising coordinator Gary Anawalt said the campaign is aimed at "countering the low-ball pricing and no-help image" of many home centers. "We're going after the people who are willing to pay a little more for some product knowledge," Anawalt said.

When asked why the company has decided to begin broadcast advertising after more than six decades of print

(Continued on page 39)

Scott's Pasadena, Md., store gave away nine $50 gift certificates during its grand opening. Jim Price (r.), director of advertising, presents the gift.

NHCN photos

Weatherman's voice boosts sales at Scott's opening

PASADENA, Md.—Sales "70% ahead of our expectations for the three-day period," marked the opening of Scott's new store in the Jumper's Junction shopping center here. Bill Allen, the store's manager, explained that Scott's typically has $55,000 in sales during a Thursday-Saturday opening.

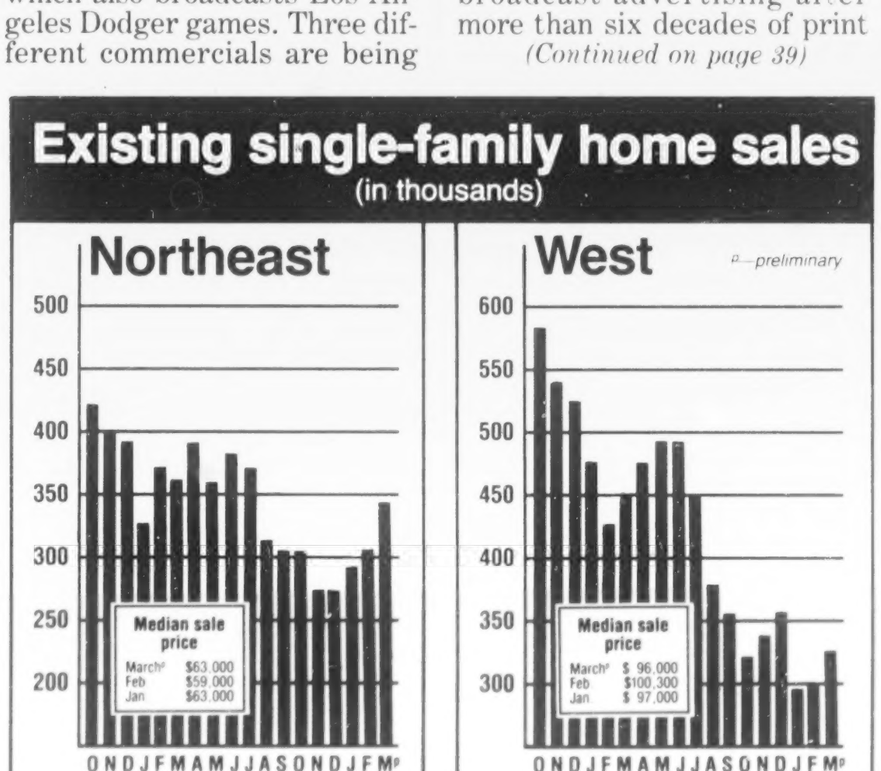
The store, which was to be the chain's 18th, opened just one day before another relatively new location (the Golden Ring store opened August '81) burned to the ground April 23 in Baltimore.

Encouraging sales during the opening were attributed to Scott's intensified advertising efforts. Jim Price, director of advertising, said, "Up until April 1st, we were 100% print."

The new ad budget, tripled from previous openings, included the "Scott's Has" jingle written by Price and featuring Willard Scott as radio spokesman. In addition to radio spots a four-pronged print campaign saturated the area for two weeks prior to the opening.

A four-page tabloid reached 1,400,000 through the Sunday *Baltimore Sun* and *Washington Post*. Five other area papers inserted a four-page circular, and an eight-page circular was direct mailed to 55,000 Pasadena homes. Another direct mail approach was made

(Continued on page 37)



The Northeast and West experienced the nation's strongest home resale activity during March, about 10% above February levels. Still, no area has shown sustained improvement, according to the National Association of Realtors, with national existing home sales for March 23% below last year.

Calif. plastic pipe controversy has little effect on DIY dealers

SACRAMENTO, Calif.—The legal and political controversies that have surrounded the use of plastic pipe to carry drinking water in California haven't funneled down to the home center retail level.

Buyers report that consumers are looking for price when they purchase piping and fittings, and are mostly unaware of the safety debate that has been going on here for almost two years (*NHCN*, Nov. 24, 1980).

California retailers, who sell most of their plastic plumbing for sprinkler systems, don't appear to be too excited about pending legislation that could eliminate the use of plastic plumbing for potable water in residential use.

"It simply has not arisen as an issue," said Tau deMontalvo, plumbing buyer for the four-unit Homeowner's DIY, Gardena, Calif. "When a product is potentially unsafe, either in Los Angeles County or the city, we hear about it immediately from our vendors; that hasn't happened in this case."

Another southern California retailer put the issue into perspective. "You have the plastic manufacturers on one side, the plumbing unions on the other, and they'll battle it out. I can't get too excited over the outcome because it will have relatively little effect on my plastic plumbing sales."

Several other retailers agreed, and noted that consumers were more concerned with plastic plumbing's ease of installation and lower price—compared to copper—in deciding what they bought.

However, most chains have shied away from promoting the plastic plumbing (mostly schedule 40 PVC) for in-home use, for fear of being in violation of codes they were either confused about or not completely aware of.

California follows the 1979 Uniform Plumbing Code set forth by the International Assn. of Plumbing and Mechanical Officials (APMO), Los Angeles. The code allows plastic pipe for drain, waste and vent systems in buildings not over two stories high, and to bring potable water to residential structures. However, it is

(Continued on page 37)

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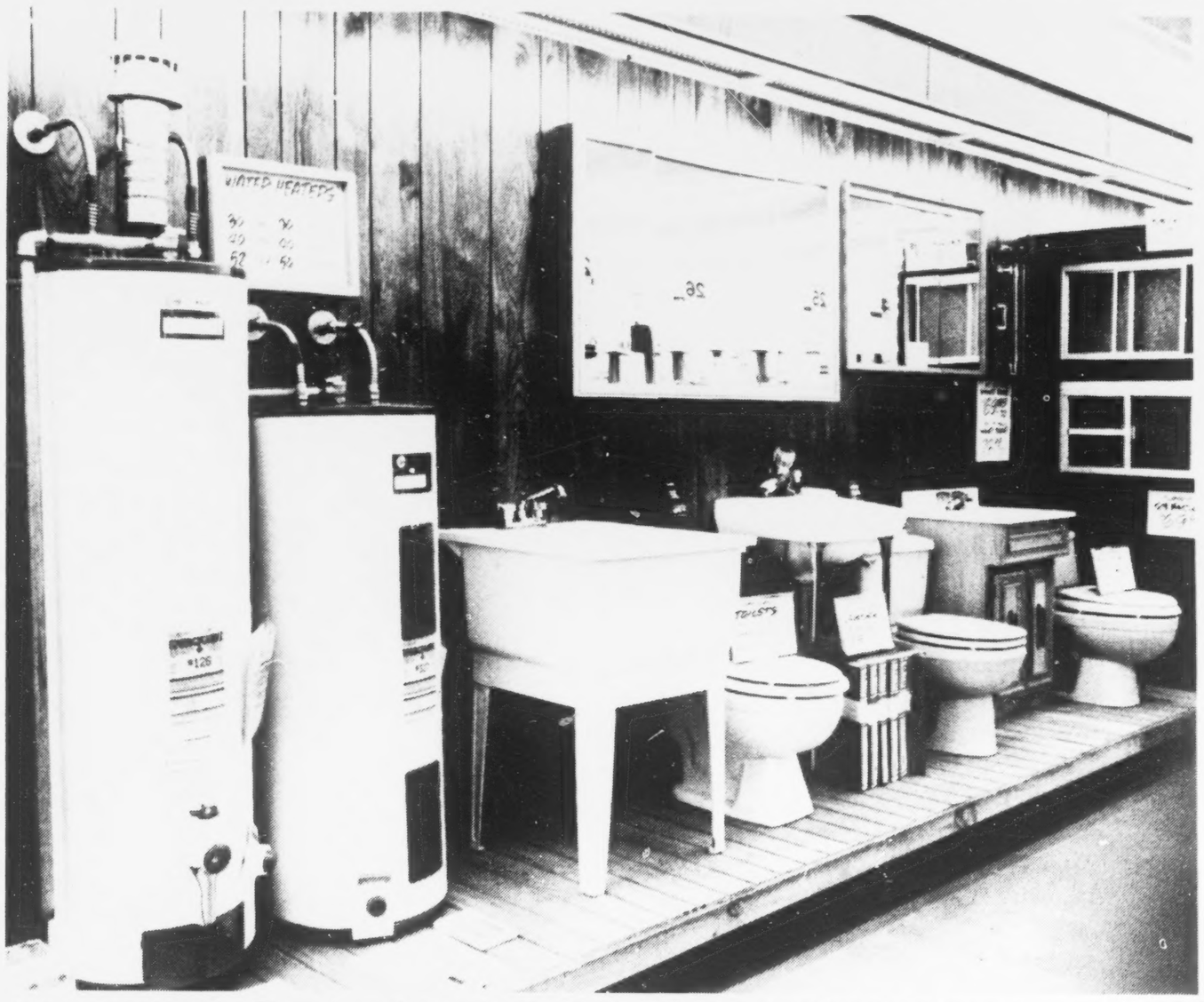
National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

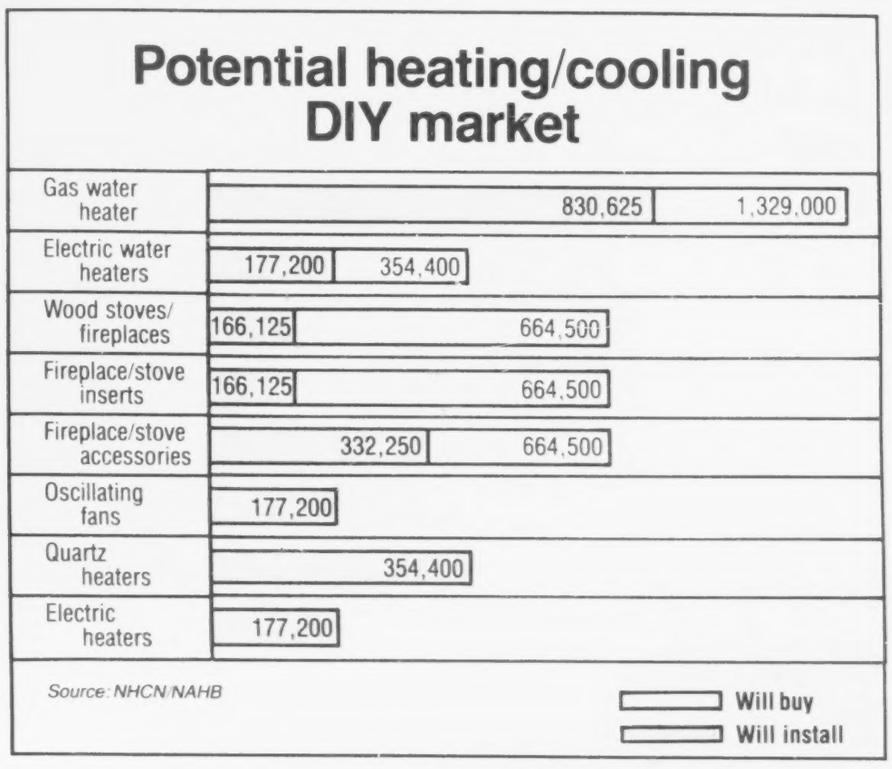
Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 11. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

MERCHANDISING SPOTLIGHT



At this Angels store, Phoenix, water heaters are featured in the plumbing department in a realistic wall display adjacent to bath fixtures. NHCN photo

Potential heating/cooling DIY market



Heating/cooling consumers willing to install: Survey

NATIONAL REPORT—Preliminary results of a joint *National Home Center News*/National Assn. of Home Builders survey reveals that a large percentage of potential buyers of heating/cooling products at home centers would be willing to install the product themselves.

A significant 62.5% of a potential gas water heater market of 1,329,000 indicated they would install the heater without any professional assistance. Potential buyers of the less familiar electric water heaters were slightly less willing to do the job themselves; 50% of a much smaller potential market of 354,000. (Retailers queried indicated that the gas heater DIY market might be closer to 100%.)

Potential wood-burning stove and fireplace customers totaled 664,500, with 25% indicating that they would install the units themselves. Similar results were obtained from potential fireplace and stove insert customers. Half of all fireplace and stove accessory buyers stated they would install the accessories without outside help.

The potential market for portable quartz heaters was measured at 354,400 and all potential buyers surveyed indicated they would install the heaters themselves, a simple matter of plugging the unit into an electrical outlet. Portable electric heater and oscillating fan buyers, each with potential markets totaling 177,200, indicated they would also "install" the units themselves.

The *NHCN*/NAHB survey was conducted over the past several months. Final figures covering all home center product categories will appear in the July 5th issue of *National Home Center News*.

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PLASTIC SHEET A DO-IT YOURSELF PRODUCT FOR ANY PRACTICAL USE.
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Two products in one merchandiser. That's what you get when you put The BARRIER™ and SAFE-T-VUE® Acrylic glazing products in your store. Our eye-catching P.O.P. display may be small (4′ wide by 2′ deep by 81″ high), but it...

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N. Atlantic group joins NLBMDA

WASHINGTON—The board of directors of the National Lumber and Building Material Dealers Assn. has approved the membership application of the North Atlantic Building Materials Dealers Assn. to become a federated association of NLBMDA.

NLBMDA president Doug Ashy said the new organization was formed to provide a vehicle for dealers to become affiliated with the national association from those states where no federated association currently exists. The new group will represent Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont.

Chairman of the charter committee, Earl Carpenter of Street Lumber, South Hadley, Mass., submitted the application.

For membership information contact Earl Carpenter, Street Lumber, 48 Lamb St., South Hadley, Mass. 01075.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Diamond Int'l	3/28-12 wks.	$ 264,979	$ 309,597	– 14	$ 12,918	$ 9,933	30
Evans Products**	3/31-1st qtr.	137,096	141,394	– 3	– 1,669	2,693	—
W. R. Grace	3/31-1st qtr.	1,463,173	1,489,417	– 2	144,176	83,570	73
Southwest Forest Ind.	3/31-1st qtr.	144,948	200,097	– 28	– 4,603	4,572	—
Wolohan Lumber	3/31-1st qtr.	10,561	16,060	– 34	– 599	– 260	—

*$ in thousands
**Figures include revenues and operating income from Evans' Products' retail group only

Evans retail posts loss in 1st qtr.

PORTLAND, Ore.—The 348-unit retail division of Evans Products saw both sales and operating income slide in the first quarter of 1982 ended March 31.

Traditionally one of this $1.5 billion corporation's strongest performers, Evans Retail had a 3% sales decline to $137,096,000 while operating income showed a $1,669,000 loss, compared to an operating income of $2,693,000 garnered during the same period last year.

With the exception of its transportation and systems group, with revenues up 10.7% to $101.7 million and income up 117.5% to $17.9 million, all other divisions at Evans showed losses for the first quarter.

Corporately, Evans Products reported a first quarter 1982 loss of $8,889,000, or 82¢ per common share, on revenues of $294 million, down 6.7% from the previous year. In a related matter, the company's board of directors determined it would omit the cash dividend on common stock.

In the first quarter of 1981, Evans suffered an operating loss of $8.8 million, or 81¢ per common share, on revenues of $316 million.

While total operating earnings, including $10.9 million before taxes from the sale of tax benefits, were slightly above last year's first quarter results, the loss before taxes was $4.9 million higher. The major reasons, according to company officials, for the increase were the impact of a $2 million gain from a real estate transaction reported in last year's first quarter and a $2.9 million, or 18%, rise in interest expense because of increased debt.

The ommission of the dividend on the common stock (Evans has 12,362,737 shares outstanding) reflects the impact of the recession and high interest rates on Evans' operating results, as well as certain limitations on the payment of dividends.

Retail earnings drop 80% in 1st quarter at Diamond

NEW YORK—The continuing slump in the housing industry coupled with a sluggish economy contributed to a more than 80% drop in retail earnings and a $4.3 million pretax loss for the lumber group at Diamond International in the 12-week period ended March 28, William J. Koslo, Diamond's chairman and president, said.

Diamond's retail holdings include a national chain of 120 stores.

Economic conditions resulted in income from continuing operations falling 76% to $2,204,000 while Diamond's net sales fell 14% to $264,979,000 from the same period a year ago.

The company's net income rose from $9,933,000 a year ago to $12,918,000 in the first 12 weeks of this year. The fiscal 1982 total, however, included $10,714,000 in income from discontinued operations, mainly involving the sale of its United States Playing Card subsidiary.

New lumber regs. may even flow

WASHINGTON—New regulations controlling sale of National Forest timber, effective April 15, are aimed at evening the flow of lumber production, controlling speculation and generating more cash for the Federal Government.

As a result of public hearings, the regulations are somewhat different from the version printed in the Federal Register in January.

For example, originally timber harvesters were required to put down a 5% cash deposit within 10 business days of the bid. Now the deposit may also be in credit, rather than cash, and the company has 30 days to place it.

In addition, the deposit may be applied to stumpage payments as soon as roads are built. In January's version of the rules the company also had to first harvest 25% of the timber.

Another liberalized change calculates the midpoint of a sale from after the time roads have been built. This is important to harvesters because at that midpoint a significant payment, sometimes 25% of the contract price, is due to the Government.

One of the changes not favored by the forest industry is a discount of up to 25% available to companies in Oregon. Washington and northern California for removing timber earlier than scheduled.

According to Mark Pawlicki, staff assistant for the National Forest Products Assn., the provision could foster speculation. A company with less timber under contract could afford to bid up a sale in order to win a contract since the discount would reduce the actual cost. In contrast, the argument goes, the operator with more under contract has less flexibility in scheduling when timber will be harvested.

Pawlicki said the forest products industry generally favors another provision that allows a contract to be extended in certain circumstances, without a reappraisal or deposit.

This automatic, market-related contract term adjustment, as it is called, will go into effect when demand slumps severely. Based on the formula for determining when the adjustment is triggered, there would have been four instances since 1946, Pawlicki said.

Theoretically the price of timber should be less with the new regulations. But, Pawlicki said, no one is really sure what effect the rules will have. Their impact will be evaluated in the spring of 1983 and again in 1984.

FUTURES

Two weeks ended April 30, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May	138.00	120.60	126.80	126.30	1,872	220.30	120.60
July	150.60	133.60	139.50	139.70	3,452	224.50	133.60
Sept	159.40	143.40	148.50	149.50	1,217	229.50	143.40
Nov.	160.20	146.70	149.40	150.50	620	224.50	146.70
Jan. '83	167.00	155.00	158.00	159.00	353	205.50	155.00
March	175.50	164.10	167.10	167.60	71	209.80	164.10
May	182.50	172.00	174.00	176.20	85	202.00	172.00
Total Contract Vol. (Through 4/30): 24,841						**Previous Two Weeks: 16,013**	
Total Open Interest (As of 4/30): 7,743						**Previous Week: 7,675**	
Cash Price: $121.52			**Previous Week: $125.44**			**Year Ago: $176.40**	
PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
May	158.70	151.00	156.50	155.70	1,168	241.00	151.00
July	164.00	156.20	161.30	160.80	1,955	219.00	156.20
Sept.	168.00	160.80	165.40	165.20	568	224.50	160.80
Nov.	171.50	165.00	169.70	168.50	271	226.50	165.00
Jan. '83	175.50	168.00	173.50	172.10	148	218.60	168.00
March	179.50	174.00	178.50	176.00	8	196.30	174.00
Total Contract Vol. (Through 4/30): 7,325						**Previous Two Weeks: 5,000**	
Total Open Interest (As of 4/30): 4,118						**Previous Week: 3,929**	
Cash Price: $158.76			**Previous Week: $159.74**			**Year Ago: $203.84**	

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	253.1	255.3	289.1

CME—Chicago Mercantile Exchange CBT—Chicago Board of Trade
*Figures for Thursday, April 29
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

STOCK PRICES

	As of 4/28	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	29⅛	48¼	26	9
Diamond Int'l (NYSE)	37	41¼	26¼	18
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's Hubbard & Johnson, Lindsley]	10¾	26½	10¾	12
Forest City (AMEX)	12½	20	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	38¼	53	34⅜	4
Lowe's (NYSE)	14½	18⅞	10½	16
Payless Cashways (NYSE)	21	21⅝	15¼	16
Scotty's (NYSE)	19¾	26⅝	15⅛	10
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	10½	26⅞	10½	38
Wickes (NYSE) [Wickes Lumber, Builder's Emporium]	2¼	17	2¼	2

Over-the-counter stocks

	As of 4/28 Bid	As of 4/28 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	9¼	10	14¾	7½
Hechinger	17⅛	17⅜	23⅛	10¼
Hines Lumber	18½	19½	23	15
The Home Depot	16¼	16¾	18¼	7¾
Pay 'N Pak	15⅛	15⅜	18	13⅛
Pay 'n Save	18¾	18⅞	29½	16½
Scotts Seaboard [Scott's]	1	1⅜	2¾	½
Wolohan Lumber	3¼	3½	5⅞	3

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Wickes trims sails

(Continued from page 1)

Although the Gambles creditors accepted the enlarged, compromise steering committee, they also intended to meet separately at a previously planned meeting to explore how the needs of Gamble's trade creditors may differ from Wickes'.

While the problem of competing interests is not unusual in a bankruptcy proceeding, the immensity of this case—one of the largest in United States history—and the diversity of Wickes' holdings make it more difficult to organize.

Wickes Lumber's largest creditors	amount owed
Georgia Pacific, Portland, Ore. Gold Bond Building Products, Charlotte, N.C.	$2,265,700 1,500,000
CertainTeed, Valley Forge, Pa. Champion Building Products, Stamford, Conn.	674,700 665,700
Tolleson Lumber, Perry, Ga. Armstrong World, Lancaster, Pa.	518,200 495,000
Magicolor, Wheeling, Ill. Plywood Panels, New Orleans	447,600 412,500
Weyerhaeuser, Tacoma, Wash. Gambles, Minneapolis	338,900 306,000
MacMillian Bloedel Ltd., Vancouver, B.C. Owens Corning Fiberglas, Chicago	305,200 281,795

Source: U.S. Bankruptcy Court filing, NHCN chart

Bernard Shapiro, a lawyer with one of the two Los Angeles law firms that have joined to represent Wickes, urged that an executive, or bridge, committee be formed to coordinate the four groups created by the U.S. Trustee. "so that we don't need four separate blessings on every application before the bankruptcy court," he said.

Shapiro also underscored the need for strong trade representation on the creditor committee.

"The trade knows what's going on out there," he said. "The banks don't always know."

Still in question

Exactly what is going on at Wickes will not become clear until the middle of this month when audits are completed. In the meantime, trade creditors, while impressed with Sigoloff's reputation and the presentation he made in Chicago, are hedging their commitment to Wickes' future.

"The meeting was encouraging, but the situation is still extremely nebulous," said Glen Toppenden, regional credit manager, Weyerhaeuser, Chicago, after Sigoloff addressed the trade creditors.

"It is in Weyerhaeuser's best interest to wait and see if there will be a rehabilitation of Wickes," he said. "We are not doing business with them as usual, although I understand that some vendors have restarted selling Wickes open term. Our dealings with them could change next week—we just don't know how the company is going to go."

"It's still too early for us to decide how we should deal with Wickes," said Doug Dillenbach, credit manager for Gold Bond Building Products, Charlotte, N.C. "The meeting, I think, went a long way in improving Wickes' relations with creditors, but there are still too many pieces missing in the puzzle."

Dillenbach emphasized the need for Wickes to improve trade creditor relations:

"It really doesn't make much difference what the banks do if Wickes is unable to convince trade creditors it can come out of this," he said. "Sigoloff was very well prepared and frank in his speech, but unless he can get vendors to go along with him, Wickes will go under."

Vendors have ample reason to ship Wickes if they are confident the company will survive. According to the new bankruptcy code, goods shipped since the Chapter XI filing are considered administrative debt, which receives first priority for payment.

Stephen Feldman, a lawyer with Stutman, Treister & Glatt, the other firm representing Wickes in bankruptcy court, put the importance of administrative debt status in perspective.

"Let me put it this way," he said. "It's the same level as the lawyers', so you know it's going to be paid."

Wickes' long term debt

(in millions)

Bank	Amount borrowed	Amount owed	Rate	Due
Chase Manhattan	$60	$60.0	10¼% sinking fund debenture	July 15, 2004
Chase Manhattan	$60	$47.6	7⅞% sinking fund debenture	July 15, 2004
Security Pacific National	$35	$35.0	8⅞% sinking fund debenture	July 1, 1997
Continental	$40	$11.7	5⅛% convert sub. debenture	
Continental	$27	$19.1	9% convert sub. debenture	May 1, 1999
Security Pacific National	$15	$15.0	8¼% notes	July 1, 1984

Source: U.S. Bankruptcy Court filing, NHCN Chart

Four creditor committees formed

LOS ANGELES—Four separate creditor committees have been established in the Wickes bankruptcy by the Los Angeles U.S. Trustee. The groups are organized according to the part of the conglomerate which is responsible for the debt: Wickes Corp., Gambles Corp., Wickes Credit or Gambles Credit.

Under the new bankruptcy code, the committees will play a large role in reorganizing Wickes Cos. and developing a plan for repaying creditors. The mix of banks and vendors on the committee roughly reflects the relative amount of debt owed.

Members of the creditor committees are:

WICKES CORP.: Security Pacific National Bank, U.S. National Bank of Oregon, Continental Illinois National Bank, First National Bank of Chicago, Bank of Nova Scotia, Manufacturers Hanover Trust, First Interstate Bank of California, Banque De Paris, Royal Bank of Canada, La Salle National Bank (public debt), The Lane Co., CertainTeed, Georgia-Pacific, Black & Decker, U.S. Gypsum, The Enterprise Co. and American Property Investors. Also, J. Henry Schroder Bank & Trust and European American Bank are ex officio, nonvoting members representing public debt.

GAMBLES CORP.: Maine Midland Bank, Wells Fargo Bank, Canadian Imperial Bank of Commerce, Banque De Paris, First National Bank of Chicago, Crocker National Bank, Bank of Nova Scotia, Security Pacific National Bank, Michigan National Bank, Royal Bank of Canada, National City Bank of Minneapolis, American Credit Indemnity, General Electric, MTD Products, Bristol Meyers, Murray Ohio Manufacturing, General Foods, Kraft Foods, Big Yank, Walter Heller and Silver Pilver. Also, Northwest National Bank of St. Paul and Noxell are ex officio members.

WICKES CREDIT: Fidelity Bank, Central National Bank of Cleveland, Dresdner Bank, Canadian Imperial Bank of Commerce and Chase Manhattan.

GAMBLES CREDIT: Bankers Trust, North Western National Bank of Minneapolis, National Bank of North America, First National Bank of Boston, First National Bank of Minneapolis, Royal Bank of Canada and Metropolitan Life Insurance. Also, J. Henry Schroder & Co. serves ex officio.

In addition, Wickes Cos. trade creditors have formed a steering committee to protect vendor interests. The 18 members of that group, which has no statutory power, are:

THE STEERING COMMITTEE: Lane Co., CertainTeed, Armstrong World Industries, Abitibi-Price, Goldbond division of National Gypsum, Weyerhauser, U.S. Industries, Allegheny Sunbeam, Black & Decker, Champion International, U.S. Gypsum, Stanley Works, General Electric, Murray Ohio Manufacturing, Clairol, Associated Commercial, MTD Products and Beatrice Foods.

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Builders Emporium's largest creditors	amount owed
Capitol Brush, Compton, Calif. A. M. Lewis, Riverside, Calif. Black & Decker/McCulloch, Los Angeles	$872,686 721,170 528,827
Jarvis Electric, Los Angeles Stanley Works/Vemco, Philadelphia Plywood L.A., Los Angeles	450,275 387,648 302,857
Familian Pipe, Van Nuys, Calif. USCP-Wesco, Los Angeles GTE Sylvania, Los Angeles	136,743 128,816 92,925

Source: U.S. Bankruptcy Court filing, NHCN chart

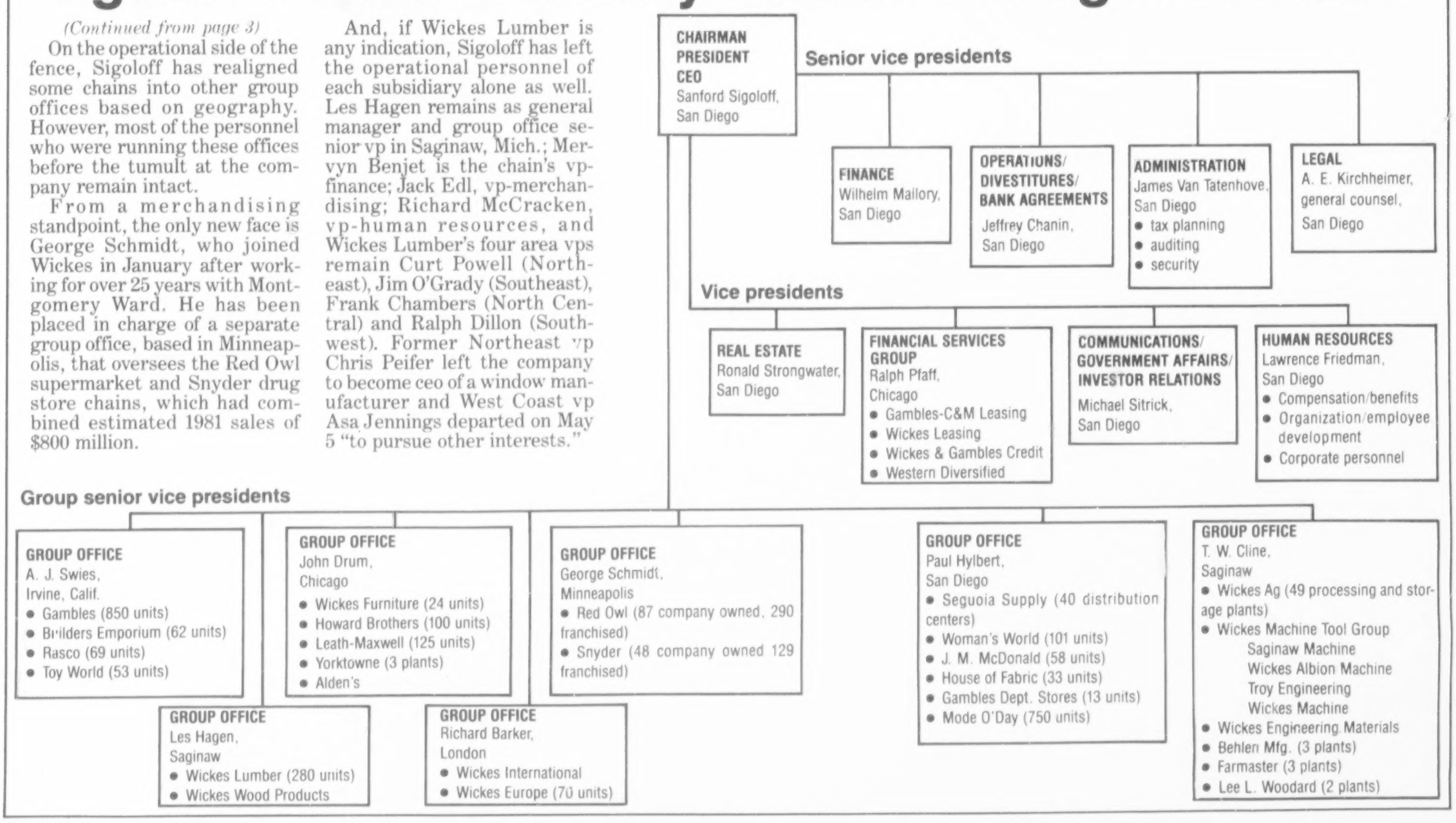
Sigoloff moves to solidify Wickes' management team

(Continued from page 3)

On the operational side of the fence, Sigoloff has realigned some chains into other group offices based on geography. However, most of the personnel who were running these offices before the tumult at the company remain intact.

From a merchandising standpoint, the only new face is George Schmidt, who joined Wickes in January after working for over 25 years with Montgomery Ward. He has been placed in charge of a separate group office, based in Minneapolis, that oversees the Red Owl supermarket and Snyder drug store chains, which had combined estimated 1981 sales of $800 million.

And, if Wickes Lumber is any indication, Sigoloff has left the operational personnel of each subsidiary alone as well. Les Hagen remains as general manager and group office senior vp in Saginaw, Mich.; Mervyn Benjet is the chain's vp-finance; Jack Edl, vp-merchandising; Richard McCracken, vp-human resources, and Wickes Lumber's four area vps remain Curt Powell (Northeast), Jim O'Grady (Southeast), Frank Chambers (North Central) and Ralph Dillon (Southwest). Former Northeast vp Chris Peifer left the company to become ceo of a window manufacturer and West Coast vp Asa Jennings departed on May 5 "to pursue other interests."



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National Home Center News®

Vol. 8, No. 12 — The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. — June 7, 1982

$7 per year $2 per copy

Birth of a home center chain

Hal's debuts in Milwaukee area

By John Caulfield
NHCN associate editor

WAUWATOSA, Wis.—To shoppers, the May 20 debut of two Hal's Hardware and Lumber stores had all the fanfare of a major grand opening. But this was no ordinary opening. The festivities brought together a core of investors that included some of the biggest names in the home center industry.

These men and women, who have served in executive capacities at W. R. Grace, Handy City, Handy Dan, Forest City, Ole's and Channel, are banking on the birth of this new company to light a fire under the Milwaukee market that has so far seen little home center development.

Until recently, five Grossman's units shared Milwaukee home improvement sales with discounters and independent hardware and lumber dealers. Hotter competition can be expected with the arrival of the Hal's stores here and in the Greenfield section of the city, as well as the long-anticipated en-

(Continued on page 4)

Mary Kodis (third from l.) will preside over Hal's Hardware and Lumber, a new two-store operation in suburban Milwaukee. Flanking Kodis are Fred and Bob Slater (l.), Max Knell (fourth from r.) and his family and Bob and Melene Nahodil (far r.). NHCN photos

H. M. Woods expands beyond the Rockies

By Greg Puchalski
NHCN senior editor

LAS VEGAS, Nev.—Hugh M. Woods will join an expanding list of DIY retailers here by the summer of 1983 when chain officials plan to open two stores, the 12-unit firm's first outside Colorado, *NHCN* has learned.

Randal H. Woods, president of the $80 million chain, said he hopes to complete negotiations on two sites shortly and to construct his unique operation consisting of a 30,000-40,000-sq.-ft. store and an open drive-through lumber and building materials facility on about six acres at each location.

Woods feels Las Vegas offers good home center market opportunities.

"We felt we had reached our limits in Colorado," Woods explained. "We are utilizing our distribution center at peak efficiency. We felt we had to move on.

"Six months ago, we started looking out of state and all over the United States. Las Vegas was our choice."

Las Vegas has also been the choice of other home center dealers in the last five years.

Since Pay 'n Save purchased a Von Tobel's outlet here in 1977 and added it to its home center division, three other major home center chains have entered Las Vegas.

84 Lumber located an outlet here in the late 1970's and Ole's, with the acquisition of Corb's Home Center, entered the market in March 1980. Later that year, Wickes Lumber opened a Las Vegas store.

Since becoming part of the city's DIY market, Pay 'n Save, under the Von Tobel's name, and Ole's have both upped their store counts here to three.

For Woods, the dominant home center chain in Denver for many years, expansion into Las Vegas marks a continuation of

(Continued on page 4)

NEWSBREAKS

CREDIT COMMITTEE HEADS CHOSEN. Richard Daniel of Security Pacific National Bank and Jack Zimmerman of CertainTeed have been selected chairman and co-chairman, respectively, of the Wickes' operations creditor committee, one of four separate committees (*NHCN*, May 24) which held organizational meetings to choose chairmen and co-chairmen, one of whom represents banking interests, the other trade. The U.S. Bankruptcy Trustee in Los Angeles, acting on a motion by Security Pacific, has been searching for an examiner to investigate activities that brought Wickes to its current plight. An investigating firm is expected to be appointed soon.

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Wrecking ball claims 1st Ernst

For 80 years, the northwest corner of 6th and Pike Streets in Seattle served as the location for the first of what eventually became 69 Ernst Home Centers. This photo, taken circa 1934, shows the building Ernst leased from LCF & Associates, a local developer that began demolishing the structure to make way for a new, 29-story office building. Pay 'n Save photo

Century Supply sales rise 18% after joining CBS ad program

By Tom Moloney
NHCN field editor

CHICAGO—Century Supply, a four-unit home center chain based here, was having little success with its newspaper advertising program, when in mid-1980 the company's ad agency advised president Paul Spiewak to get into television.

"Our advertising was of the institutional kind, not the product/price type," said Spiewak. "That's probably why print wasn't working very well for us." As a major retailer of ceramic tile, he became convinced that TV commercials were the solution to his advertising problems.

So, Century began what has now become a two-year association with the CBS-TV F.I.R.S.T. (Framework for Insuring Retail Success with Television) program, a relationship which resulted in an 18% sales increase for Century in 1981 over the previous year.

Century's first TV campaign over CBS Chicago affiliate WBBM-TV broke in late 1980 and lasted six weeks. Rich Eichner, president of Rich Eichner & Associates, the chain's ad agency, described the initial TV foray as "very modest and not enough." The original 30-second commercial involved no co-op funding.

According to Spiewak, sales were up 8% after that first campaign. Encouraged by the measure of success, three series of commercials of four-to-10 week durations were planned for 1981, involving co-op advertising support from three tile manufacturers: American Olean, Congoleum and Kentile.

Spiewak was ecstatic with the resulting increased store volume: up 24% during the first series, 16% following the first series and up a resounding 32% during a midsummer campaign compared with 1980. To accommodate the costs of the TV campaigns, Century increased its advertising budget by 50% during 1981. The cost of the four commercials produced was estimated by Eichner at $5,000, with half of that coming from

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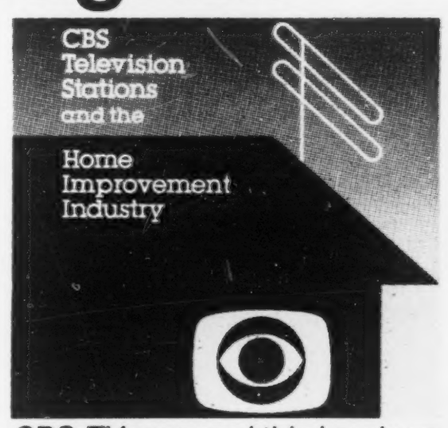

CBS-TV prepared this brochure for prospective F.I.R.S.T. program participants in the home improvement industry. It includes program details and industry statistics.

Lead poisoning: a hidden hazard for the DIYer

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Lead poisoning is a disease doctors can easily spot in children, but with a growing number of do-it-yourselfers repairing or restoring old homes or furniture, a new type of patient is surfacing.

Affluent young professionals seem to be coming down with the poisoning as they restore urban brownstones or country farmhouses. And doctors say the disease is hard to diagnose because adults don't display the symptoms associated with lead poisoning as clearly as children do.

Wrist drop, foot drop, colic, constipation and telltale lead lines in the gums are classic symptoms in children, but adults' fatigue, irritability, achey muscles or joints, constipation or stomach cramps are easily attributed to a myriad of causes.

A survey of home centers across the country did not reveal any store with warnings about possible lead poisoning on products associated with paint removal or in store departments where the products are sold. Several buyers remarked that they didn't see the need for such warnings because lead paint had been off the market for years. They also said the subject of lead poisoning warnings had never come up.

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DIY Industry update

Grace: No Eastern division

NEW YORK—Now that W. R. Grace has aligned its home centers west of the Mississippi into Western and Central regions (*NHCN*, March 29), can a similar arrangement for its Eastern home centers, including Channel and Handy City, be on the horizon?

Not really, according to Grace president Carl N. Graf.

"We're always looking at ways of increasing productivity and reducing the cost of doing business," he said at Grace's annual meeting last month, "but we have no plans to announce an Eastern region."

Grace home center executives have been active in the store expansion area, however, with first-quarter openings of Handy Dan units in Deer Park and Garland, Tex., and a Cashway in Albuquerque, N.M. Even more recently, a Channel Home Center made its debut in Framingham, Mass.

Grace will continue to focus its primary DIY expansion on the Sunbelt, Graf said.

Chairman J. Peter Grace confirmed that Grace is one of numerous companies expressing interest in Wickes-owned stores if the firm, currently in Chapter XI bankruptcy proceedings, decides to sell off any of its home center interests.

Executive committee chairman Felix Larkin reported that Grace home centers did $794 million in sales last year and that for its retailing group in general, first-quarter losses were greater than a year ago.

Ernst plans 'zero growth' in '82

SEATTLE—The expansion of the Ernst Home Center chain has been put on hold for 1982, according to its parent company, Pay 'n Save.

The decision not to open any new stores this year comes after three years of steady growth that saw the Pacific Northwest chain increase its net store count by 27 stores, to 86.

Referring specifically to the $264.9 million home center division, executive vp-operations Ron Erickson told stockholders at last month's annual meeting that the chain's theme this year would be "back to basics."

Essentially, this means "zero" unit growth, with company officials cancelling the few store openings planned for this year. "We had a few stores scheduled and then took them off," said Bill Boston, vp and group general manager, in a separate interview with *NHCN*. "We'll use this year to retrench and fine-tune our existing units."

Future expansion plans were also "difficult to predict," Boston added. "Just last week we learned that two stores we had planned for 1983 may be delayed until 1984." However, he noted that no store closings were expected this year.

Sales at the home center division were up 28%, but its 75% decrease in earnings to $2.5 million, or 11% of Pay 'n Save's profits, was cited by executive vp-administration Calvin Hendricks as a "major problem" contributing to the corporation's 32% earnings decline to $12.8 million for the year.

Payless buys Dunlap's unit

NORA, Ind.—Payless Cashways has acquired its fourth outlet in the Indianapolis market, purchasing a 16,000-sq.-ft. Dunlap's Home Improvement Center here from Southwest Forest Industries, Phoenix.

The chain is currently remodeling and remerchandising the store and anticipates reopening it next month as a Furrow Building Materials unit, the name carried by the other Payless stores in Indianapolis.

The acquisition gives Payless coverage in each part of the market. "Our three current Indianapolis-area stores are located in the east, west and south parts of the metropolitan area," explained chairman J. Stanley Covey. "Since their construction in 1979, we have attempted to acquire a northside location since it is a rapidly growing and expanding area."

The unit, on about 4.75 acres, will enable Payless to bring its store total to 99 by the end of the year.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 12 June 7, 1982

Boise Cascade taps Savage to head retail/dist. group

By Greg Puchalski
NHCN senior editor

BOISE, Idaho—Former Grossman's and Moore's executive Edwin M. Savage has been named the new marketing manager of Boise Cascade's building materials distribution division, including its 96 stores.

He succeeds Bill Van Note, another former Grossman's employee who left Boise late last year for business and personal reasons, a company spokesman said.

Savage becomes responsible for implementing retail operations strategy, market analysis and selection and supervision of all merchandising and procurement for the division.

He indicated that there are no quick answers to improve results for the division, however.

Sales have sagged since 1979, when the division did $621 million in volume, reaching only $547 million last year with the retail stores accounting for about half the volume.

Although specific figures for the first quarter were not disclosed, Boise Cascade chairman and ceo John B. Fery said the housing depression brought another unprofitable period for the company's building materials and related businesses in the first quarter of 1982.

The situation has stymied new store expansion and even put a hold on the stores' adoption of a management information system.

Savage does feel conditions will get better—in 1983.

He does not think a sudden change in division strategy will help the situation.

"We'll carry out the retail marketing strategy as it now exists," he said, "with some minor modifications. I believe in evolution rather than revolution."

The company expressed similar sentiments in its 1981 annual report. The building materials centers, which do about 43% of their sales with DIYers, "remained competitive and maintained market share" last year, the report noted, adding that the stores "are capable of handling $1 billion in annual

(Continued on page 4)

Aims to ease identification

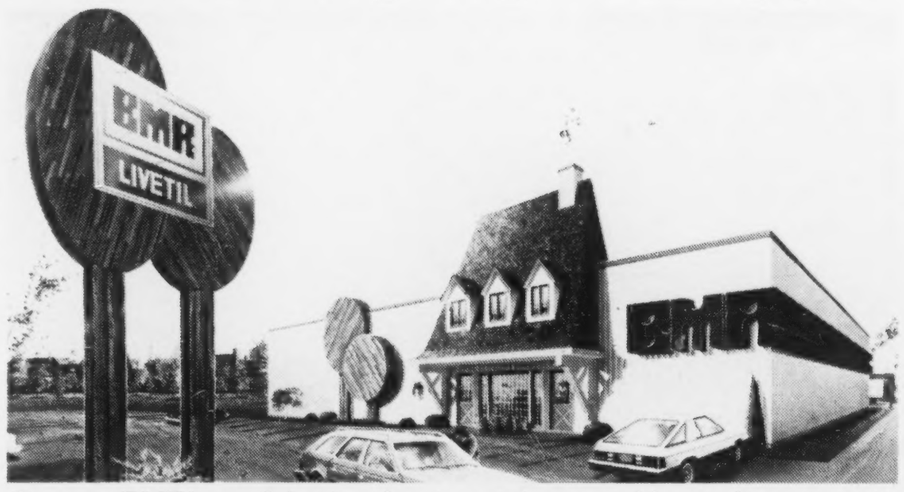
Groupe BMR develops prototype

QUEBEC—Groupe BMR, a cooperative organization of 85 building supply dealers headquartered here, has developed a prototype storefront to promote easy identification of all the dealers in the province.

The chain, an affiliate of Matreco which operates chains of retail stores in Ontario and British Columbia, is a cooperative organization jointly owned by 64 shareholders. Four of the 85 Groupe BMR stores are owned outright by the corporation.

After studying several designs, Groupe BMR opted for a prefab design commissioned from La Maison de Quebec, a local architecture firm. The prefab modules achieve considerable savings for the member stores.

The storefront itself costs about $5,000 and the sign with company logo runs another $4,000. Pierre Chabot, executive vice president, says that the new facades are part of a wider program to integrate the stores in the Canadian cooperative.



Groupe BMR's prefab storefront prototype and logo sign promote chain unity in the province of Quebec.

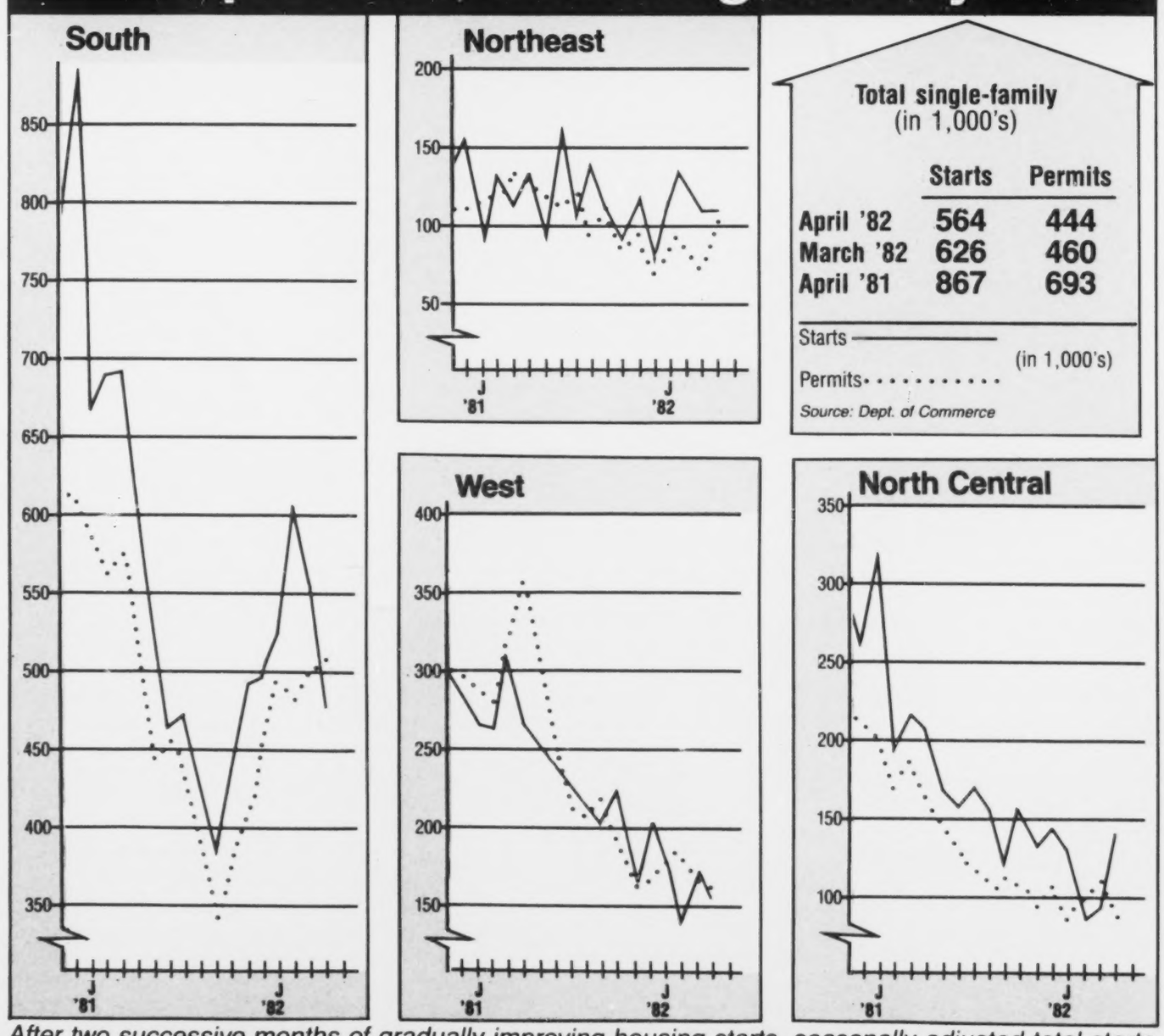
Chabot notes, "we've been making progress in integrating store interiors. About 65% of the stores have standardized interiors using our corporate colors and gondolas." He points out that headquarters is supplying more than facades, however, and that the modules go with backup management and sales training.

The 15-year-old organization started as a buying network for Quebec building supply retailers. The cooperative buying increased market clout, with Groupe BMR taking the next step by "becoming more of a selling organization three years ago," according to Chabot. BMR has become a chain with centralized planning, advertising and marketing strategies.

Employees from every BMR

(Continued on page 42)

April home-building activity



After two successive months of gradually improving housing starts, seasonally adjusted total starts were off 6.4% for April compared with March. Single-family, seasonally adjusted starts were off 10%. Total seasonally adjusted starts were 881,000; single-family starts were 564,000. April was the ninth consecutive month that the seasonally adjusted figure for total starts was less than one million.

Exclusive NHCN survey

Despite imports, domestic tools still dominate

NATIONAL REPORT—Despite mounting pressure from imports, domestic tools continue to dominate the shelves of home centers.

In an *NHCN* survey of 42 chains and independents covering more than 600 stores, nearly half of the respondents said they carry no imported tools. Nearly as many indicated that imported tools claim 10% or less of the total sku's in the department.

In fact, only one retailer in the survey said imported tools comprised more than 50% of his tool selection.

Other survey findings include:

- Many dealers view tools as a growth area in the immediate future.

About half the respondents said they plan no sku changes in the category, but 85% of those who planned changes said they would increase the number of sku's in the department. Some retailers said their increases would range from 10% to 25%.

- As a percentage, the tool department claims a little more of the total store sales than its allotted square footage.

Retailers noted that, on the average, tools account for 11.7% of their total volume, while occupying slightly under 11% of the store's sales space.

- The average annual turn for the department is 4.14.
- Margins typically average 37.5.
- More than 40% of the respondents said they buy 75% to 100% of their tools on a direct basis. More than 30%, however, said they do less than a quarter of their tool buying direct, preferring two-step distribution.
- Home center dealers prefer the center of the store and the front, right-hand corner for their tool department's location, together accounting for 60% of the respondents. No other location claimed as large a response.

Among the 11 hand tools *NHCN* included in the survey, hammers, screwdrivers and measuring tapes offer the best selections and the fastest turns.

A quarter of the respondents said they carry 20 or more different kinds of measuring tapes, by far the fastest-turning hand tool with an average turn of 5.15, the survey said.

About half of those surveyed noted that they carry 20 or more different types of hammers and screwdrivers. Screwdrivers turn slightly better than hammers, 4.45 to 4.22, the study indicated.

Wrenches and pliers also show off varied selections in the tool department and turn at an average rate of 3.79 and 4.53, respectively.

Among the seven categories of power tools *NHCN* reviewed in the study, power drills and circular saws scored the best results. Most repondents said they carry from 6-20 power drills and circular saws each.

The two power tools also emerged as the fastest-turners in their category. The saws turn 4.09 times while power drills turn 3.93 times on the average, the study said.

Chain saws, at an average turn of 3.65, are usually offered in 6-20 different models, but about 20% of the respondents do not offer chain saws, the survey noted.

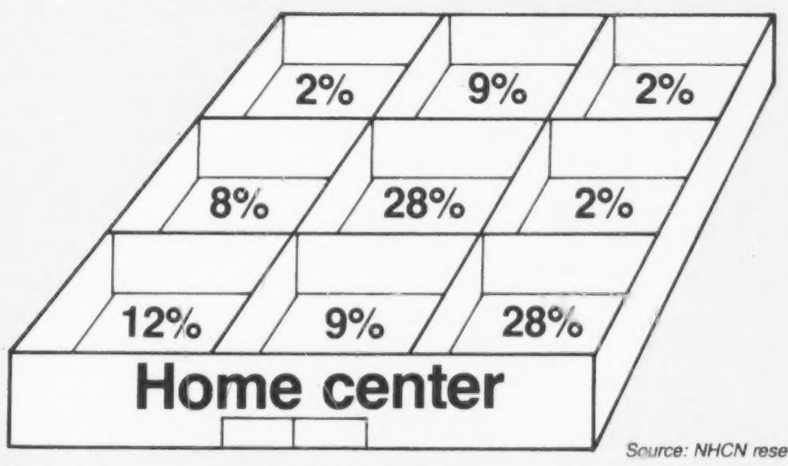
Sabre saws produce an average turn of 3.73.

Typical department statistics

Average department size: (as percentage of store size)	**10.9%**
Average margin:	**37.5%**
Current department volume: (as percentage of total volume)	**11.7%**

Source: NHCN research

Location of tool departments



Source: NHCN research

Comparison of typical tool selections

Hand tools

Item	Average turns	Number of stock-keeping units (sku's)
Measuring tapes	5.15	3% · 0 · 1-5 · 9% · 6-10 · 51% · 11-20 · 37% · 21+
Hand saws	4.59	3% · 0 · 5% · 1-5 · 42% · 6-10 · 36% · 11-20 · 14% · 21+
Pliers	4.53	5% · 0 · 13% · 1-5 · 17% · 6-10 · 34% · 11-20 · 31% · 21+
Screwdrivers	4.45	3% · 0 · 3% · 1-5 · 8% · 6-10 · 30% · 11-20 · 56% · 21+
Hammers	4.22	3% · 0 · 1-5 · 11% · 6-10 · 36% · 11-20 · 50% · 21+
Mitre boxes	4.08	3% · 0 · 30% · 1-5 · 53% · 6-10 · 14% · 11-20 · 21+
Levels	3.97	3% · 0 · 12% · 1-5 · 33% · 6-10 · 33% · 11-20 · 19% · 21+

Power tools

Items	Average turns	Number of stock-keeping units (sku's)
Wrenches	3.79	20% · 0 · 17% · 1-5 · 3% · 6-10 · 23% · 11-20 · 37% · 21+
Planes	3.64	3% · 0 · 30% · 1-5 · 33% · 6-10 · 31% · 11-20 · 3% · 21+
Vises	3.13	18% · 0 · 51% · 1-5 · 15% · 6-10 · 9% · 11-20 · 9% · 21+
Socket wrenches	3.04	28% · 0 · 12% · 1-5 · 15% · 6-10 · 17% · 11-20 · 28% · 21+

Items	Average turns	Number of stock-keeping units (sku's)
Circular saws	4.09	3% · 0 · 24% · 1-5 · 42% · 6-10 · 28% · 11-20 · 3% · 21+
Power drills	3.93	3% · 0 · 19% · 1-5 · 30% · 6-10 · 33% · 11-20 · 15% · 21+
Sabre saws	3.73	10% · 0 · 50% · 1-5 · 30% · 6-10 · 3% · 11-20 · 7% · 21+
Chain saws	3.65	28% · 0 · 15% · 1-5 · 30% · 6-10 · 24% · 11-20 · 3% · 21+
Sanders	3.28	3% · 0 · 41% · 1-5 · 38% · 6-10 · 15% · 11-20 · 3% · 21+
Soldering guns	3.10	16% · 0 · 55% · 1-5 · 16% · 6-10 · 13% · 11-20 · 21+
Routers	3.06	9% · 0 · 67% · 1-5 · 18% · 6-10 · 6% · 11-20 · 21+

Source: NHCN research

STOCK PRICES

	As of 5/12	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	28¾	48¼	26	9
Diamond Int'l (NYSE)	40½	41¼	26¼	17
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	10⅝	26½	9½	12
Forest City (AMEX)	12⅜	20	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	40	51	34⅜	5
Lowe's (NYSE)	15⅜	18⅝	10½	17
Payless Cashways (NYSE) [Furrow]	21⅝	21⅞	15¼	17
Scotty's (NYSE)	19¾	26⅝	15⅛	10
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	10⅝	24⅜	9⅞	38
Wickes (NYSE) [Wickes Lumber, Builder's Emporium]	2½	16¾	2	2

*$ in millions

Over-the-counter stocks

	As of 5/12 Bid	As of 5/12 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	9¾	10¼	14¾	7½
Hechinger	19½	19⅞	23⅛	10½
Hines Lumber	19	20	21	15
The Home Depot	14⅞	15	15	6⅛
Pay 'N Pak	14¾	15	18	13⅛
Pay 'n Save	19⅛	19¼	29½	16½

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	3/31-1st qtr.	$ 16,038	$ 23,801	–33	–$1,208	–$ 148	—
Hines Lumber	3/31-1st qtr.	44,839	61,941	–28	– 7,425	– 1,810	—
Lowe's *$ in thousands	5/1-5 wks.	104,700	104,400	—	—	—	—

The Champion Commitment:

IT MEANS PROVIDING IN DEPTH THE BASICS YOU NEED TO BUILD YOUR BUSINESS.

We provide a complete line of quality building products. And quick shipments from our distribution centers to maximize return on your inventory investment.
We're committed to you. We're Champion.

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Champion International Corporation
Building Products Division

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Wolohan posts loss in 1st qtr.

SAGINAW, Mich.—Wolohan Lumber suffered through another dismal first quarter ended March 31.

The 34-store, six-state Midwest chain incurred a net loss of $599,000 in the period compared to a $260,000 net loss in the same quarter last year, officials said. The higher loss came essentially from a 34% decline in sales to $10,561,000 in the period.

Company president David F. Wallace said, however, that improvements in the margin mix and expense controls kept the loss from being larger.

"The sales decline was primarily attributed to a continuation of the depressed home construction and remodeling markets, which have suffered from high interest and mortgage rates, tight money conditions and the slow economy in the Midwest," Wallace explained.

Despite trying to carve out more DIY business (*NHCN*, May 25, 1981), he noted high unemployment and a lack of consumer confidence have also slowed consumer spending.

Home Depot increases shares

ATLANTA—Home Depot shareholders approved an increase in its authorized common shares from 4 million to 10 million, making a 25% stock dividend and the sale of an additional 630,000 shares possible.

The eight-unit chain paid out five shares of common for every four shares held as of April 12 in the stock dividend, company officials said.

The Home Depot then sold the additional 630,000 shares.

Lowe's retail biz up 15% in April

NORTH WILKESBORO, N.C.—While Lowe's sales for the five-week period ended May 1 increased only slightly to $104.7 million compared to $104.4 million in the same period in 1981, the figures belie some encouraging signs for the 231-store chain.

Retail sales of $60.2 million, up 15% from a year ago, were the highest consumer volume total for a five-week period in Lowe's history.

FUTURES

Two weeks ended May 14, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
May	127.50	115.50	122.60	127.20	448	222.30	115.50
July	143.30	132.30	137.60	143.00	3,613	224.50	132.30
Sept.	152.60	142.80	148.90	152.30	1,564	229.50	142.80
Nov.	156.20	146.00	153.20	154.00	798	224.50	146.00
Jan. '83	163.00	153.20	161.00	162.00	390	205.50	153.20
March	171.60	164.00	169.00	169.00	86	209.80	164.00
May	177.20	170.00	174.50	176.00	115	202.00	170.00

Total Contract Vol. (Through 5/14): 22,301 — **Previous Two Weeks: 24,841**
Total Open Interest (As of 5/13): 7,126 — **Previous Week: 7,729**
Cash Price: $125.44 — **Previous Week: $125.44** — **Year Ago: $168.58**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
May	163.50	152.10	163.50	159.80	41	241.00	151.00
July	167.20	157.00	167.00	164.20	1,657	219.00	156.20
Sept.	172.00	161.20	171.90	168.70	586	224.50	160.80
Nov.	175.90	165.80	175.60	172.10	313	226.50	165.00
Jan.'83	179.00	169.30	179.00	176.60	159	218.60	168.00
March	164.50	174.50	184.50	181.50	39	196.30	174.00

Total Contract Vol. (Through 5/14): 3,953 — **Previous Two Weeks: 7,325**
Total Open Interest (As of 5/13): 2,795 — **Previous Week: 2,686**
Cash Price: $158.76 — **Previous Week: $155.82** — **Year Ago: $198.94**

LUMBER REPORT

Industry shipping Wickes, but cautiously for now

By Kenneth Schept
NHCN senior editor

Much of the industry seems on the fence when it comes to shipping Wickes.

Schept

Georgia-Pacific, Wickes Lumber's largest trade creditor continues to ship. But the company seems to be in the minority.

Wickes owes G-P $2.26 million in pre-Chapter XI debt according to the 20-volume creditors list Wickes filed in United States bankruptcy court. Creditors who are owed substantial amounts obviously have a stake in seeing the $4 billion conglomerate survive and ultimately pay past debts.

The dilemma was summarized by the vice president of another creditor, a lumber and building materials supplier who is still shipping Wickes on regular terms.

"They're pretty heavily in debt to us. If it took blood to make them survive, we'd have everybody up there giving blood," he said.

Suppliers have generally been more circumspect, not wanting to throw good money after bad. While they respect Sanford Sigoloff, Wickes Cos. new chairman, president and ceo, and take comfort from his past corporate rescues, many vendors want more than his assurances before they resume shipments with normal terms.

The decision to ship or not will, of course, be made on a purely business basis, but there is also an emotional factor. Some suppliers resent the fact that their problems with Wickes result from the few months prior to the Chapter XI filing when they increased their exposure based on assurances made, they say, by Wickes management about the state of the company.

"Wickes took a rather arbitrary stance when it cut off payment [prior to filing Chapter XI] to suppliers who had been shipping the company," said William Rooney, marketing and sales services manage. for Louisiana-Pacific, which is shipping Wickes some merchandise, on a cash-in-advance basis.

It is the smaller companies that may be more critically affected by the future of Wickes.

The housing slump has been unkind to the lumber industry and there are apparently companies now buying lumber and selling it at a loss just to raise cash. Wickes was one more blow. Two Atlanta wholesalers went out of business in the week following the Wickes filing.

'Running scared'

"The Wickes thing has everybody running scared. A lot of midsized people will go out of business as a result," said Bo Maxi, buyer at Maxi-Basshardt Lumber, Deluth, Ga.

Maxi-Basshardt, which has yearly sales of about $30 million, is owed money by Wickes, but "well under $100,000," according to Maxi.

"We saw it coming," he said. The company stopped shipping Wickes prior to the Chapter XI filing, when Maxi-Basshardt's insurance company called to say any further receivables from Wickes would not be covered.

The pivotal factor for businesses like Maxi-Basshardt's, and thousands of other Wickes suppliers, in determining whether shipments are resumed lies squarely on the financial report for fiscal 1982. The audited figures, more than anything, will nudge suppliers off the fence. Which side they take will likely set the stage for Wickes' fate.

Boise Cascade's 1st-qtr. net off 85%, biz dips 9%

BOISE, Idaho—Boise Cascade's building materials and related businesses, including its 96 stores, posted another unprofitable quarter as a result of the housing depression, according to chairman and chief executive John Fery.

While volume and prices were low in the first quarter of this year, he related, costs have increased.

The company's net income in the quarter ended March 31 dropped 85% to $5,560,000 on a sales decrease of 9% to $713,960,000 compared to the first quarter last year.

Economic conditions have resulted in Boise Cascade slowing capital investment by reducing discretionary spending severely, Fery said. The company's 1982 capital spending should be about the same as 1981's $237 million, extending the company's five-year, $2.3 billion capital program through 1984.

Introducing the "everythingyoualwayswanted" line of electrical products.

Meet the line of over 1000 electrical items designed to keep everybody happy.

For your customers, there are switch and outlet boxes, wiring devices, cords, telephone accessories, load centers, and circuit breakers. And easy-to-understand instructions are on the back of every high-impact package.

Of course, they also get the well-known Sylvania name and reputation for high quality.

For you, it's a full product line that can be tailored to fit your local market. And there are merchandising tools and programs that will bring in the do-it-yourself customers and keep them coming back.

When you handle the "everything" line that gives you all of that, there's not much left to ask.

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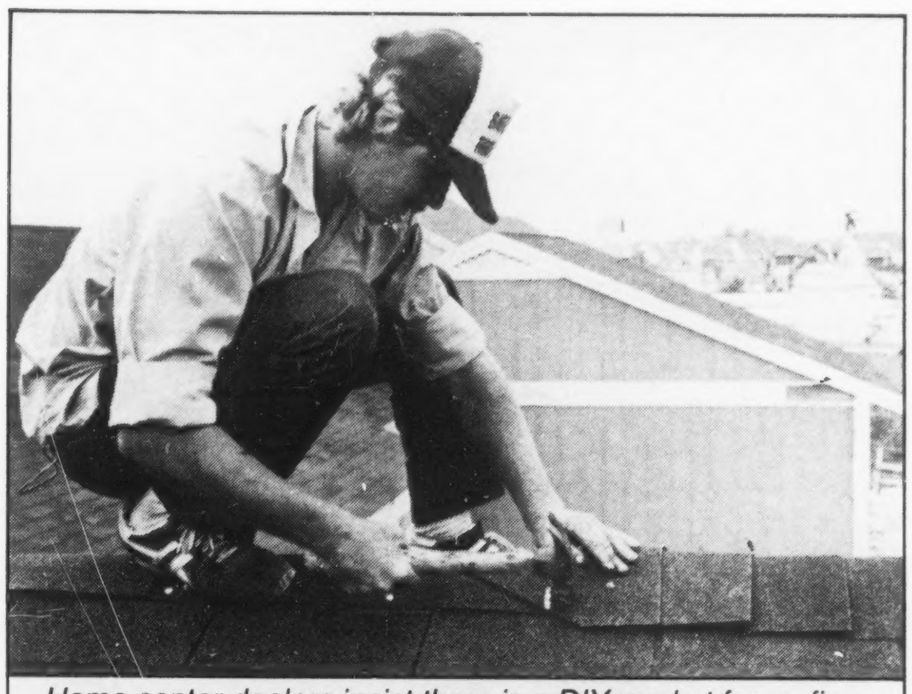
Merchandising electricals . . . p. 12

National
Home Center News ®

Vol. 8, No. 13 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. June 21, 1982
$7 per year $2 per copy



Home center dealers insist there is a DIY market for roofing, though few are willing to say that increased product sales mean more consumers are tackling the project themselves.

Roofing sales rebound, but who's doing the job?

By John Caulfield
NHCN associate editor

NATIONAL REPORT—Sales of asphalt and fiberglass shingles have shown surprising strength for home centers over the past six months, and a recent survey suggests that as many as 1,820,000 homeowners plan to reroof their homes over the next 24 months.

However, retailers claim it is still unclear whether the majority of these projects will be done by the consumer or by a professional contractor.

"The DIY aspects of roofing are very hard to pin down," said Edward Hahn, vp-building materials for Rickel

(Continued on page 26)

Wickes Cos. approves plan to upgrade 55 BE units

By Brad Altman
West Coast editor

LOS ANGELES—Underscoring its commitment to Builders Emporium, Wickes Cos. new management has approved a six-month plan to remodel or upgrade 55 of the chain's 62 stores.

In a related move, BE will target an undisclosed amount on a spring-summer advertising and sales promotion campaign, using television, radio, newspaper, mailers and catalogs.

Both programs, aimed at boosting sales, in the short term are designed to "convince suppliers that in Chapter XI, we're not any less competitive than before," a Wickes spokesman said. "If anything, we're more competitive. We're going to get those consumers into the stores."

New Wickes chairman Sanford Sigoloff told *NHCN* that BE was one of Wickes stronger assets in an early May interview (*NHCN*, May 24).

Several days after the April 24 bankruptcy petition was filed in Federal court here, the 62nd BE unit was opened in Sunnymead, Calif., as scheduled.

BE's gm, Bill Teachout, said sales have been "relatively strong" chainwide in recent weeks. The Irvine-headquartered chain is "very close to where we should be as far as inventory is concerned," he added, referring to the out-of-stock condition that plagued the BE stores in the weeks preceding the Chapter XI filing.

Teachout added: "Our trade has been most responsive. Now what we must do is concentrate on running the business."

Four of the chain's stores, in North Hollywood, Tarzana, Thousand Oaks and Goletta, will undergo "major renovation," Teachout said. Four others, in San Jose, Milipipas, Landera Heights and Redwood City, are slated to receive what Teachout called "minor facelifts."

Seven relatively new stores won't be touched. The remaining stores will be "enhanced" as opposed to a more extensive remodeling job. These stores, depending on need, will receive new signage, interior decor, flooring and paint, both interior and exterior.

Teachout and Wickes officials declined comment on the cost of the improvements.

"It's just too sensitive from a competitive standpoint," said a Wickes spokesman. "Our competitors would love to know what we're spending and we're not about to tell them."

The spokesman said, however, that the actual amount of promotional dollars to be spent in support of the spring-into-summer advertising campaign is "about the same as the amount we spent last year."

"That's heavy promotion," he said. "BE is really coming into the heavy season swinging. If our competitors think we were tough before, just wait."

NEWSBREAKS

FOREST CITY CONVERSION. Forest City will change Akron and Cleveland stores to a race-track format by Labor Day, in a preliminary move that will eventually touch all stores. One of the test stores will have high gondolas, the other low. The remodeling is expected to cost in the low six figures per unit.

HOME DEPOT TARGETS ORLANDO. The Home Depot has secured leases on two pieces of land in Orlando with plans to open separate 70,000-sq.-ft. units. One will be a retrofit, the other specially built. Both stores will be designed according to the company's warehouse prototype.

Sutherland hikes TV budget 200%

By Molly Brauer
NHCN field editor

KANSAS CITY, Mo.—Sutherland Lumber has launched a vastly expanded television advertising drive that could well catapult the privately held chain to the No. 1 spot among the top 10 television advertisers in the home center industry in 1982.

According to knowledgeable media sources, Sutherland's television advertising budget has been increased by approximately 200% this year, despite a relatively skimpy first-quarter campaign. Sutherland Lumber officials declined to confirm or deny that number.

Three years ago, Sutherland was not even among the top 10 home center television advertisers.

The 71-store, 21-state chain first appeared in 1980, in the No. 9 spot, with annual TV expenditures of $295,600, according to Television Bureau of Advertising figures.

Then last year, Sutherland moved up to the No. 6 spot,

(Continued on page 4)

INSIDE

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CONTROVERSY marks forest industry meetings **8**
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Somerville joins chain ranks with 2nd store

By Greg Puchalski
NHCN senior editor

WESTBORO, Mass.—Somerville Lumber, the mighty single-store independent, officially became a chain last week with the grand opening here of its second outlet.

Opening day sales were not available at presstime, but the June 14 debut of the 43,000-sq.-ft. store was backed up by a massive advertising campaign to introduce people in the Westboro and surrounding areas to the home center retailer.

The new store marked the start of what Somerville Lumber co-owners Harold and Melvin Cohen plan as a three-store expansion drive 35 miles west, north and south of their $26 million flagship store in the Boston suburb of Somerville.

Harold Cohen said plans for store No. 3 will go into effect when Westboro reaches the $1 million-per-month sales mark.

He views the expansion to Westboro, however, as "by far the most difficult in the program.

"Westboro is a virgin territory to us," he explained. "The *Boston Globe* [a key advertising medium for Somerville] only has 19,000 of its 750,000 circulation in the Worcester County area. When we go north and south in the expansion, the *Globe* is dominant in those areas."

Developing the new unit will also present a challenge because Westboro is between the cities of Framingham and Worcester, Mass., and "people who live in Framingham travel east toward Boston and people who live in Worcester travel west," Cohen indicated.

Although Somerville officials view the new unit as a challenge, they also feel it is ideal for them.

"It fits into our scheme of going 35 miles from Somerville," Cohen said. "It won't take any business from Somerville. We'll be adding real sales with this store. It's out of our trading area, but once we get people to come to the store, they'll go nowhere else."

The Cohens purchased the unit from Diamond International, which had closed the store last year after six years of operation because it failed to meet sales expectations. The purchase price, along with doubling the size of the store and adding inventory, fixtures, trucks and forklifts, brought

(Continued on page 25)

Somerville Lumber's second store, a 43,000-sq.-ft. unit in Westboro, Mass., marks the first outlet in a three-store expansion program that is projected to bring Somerville 35 miles west, north and south of Boston. NHCN photo

DIY Industry update

L-P sells Orange, Calif., center

ORANGE, Calif.—A 16,000-sq.-ft. Louisiana-Pacific home center and accompanying seven-acre lumberyard here were sold for an estimated $3 million. The buyer reportedly plans to build a "U-Store-It" storage facility on the site.

John Schick, gm of L-P's southern California distribution center in El Segundo, said the facility was shuttered May 25 because it "didn't draw enough of the home-center-type buyer" to remain profitable.

Downplaying the significance of the sale, Schick noted that L-P still has four other home centers in Orange County as well as a contractor yard and combination distribution and truss yard. Schick also oversees three L-P home centers located in Ventura County.

Schick noted that the Orange facility was "being offered for sale long before" L-P bought it and five other southern California home centers in 1979, from Ward & Harrington, a division of Lonestar Industries.

Gem Holding files Chapter XI

NEW YORK—Gem Holding Co., owner of four Gem Lumber stores in Brooklyn, Queens and Staten Island, filed Chapter XI in United States Bankruptcy court in Brooklyn on Thursday May 27.

At presstime, the reorganization of the company was just getting under way. Attornies for the company, Hauptman and Hauptman of Brooklyn, received confirmation on June 3 of the appointment of an official creditors' committee from the judge presiding over this case.

S. A. Hauptman listed the seven largest unsecured creditors comprising the official committee as follows: Weyerhaeuser American Hardware, York Brothers Industries, Gold Bond Products, Herbert Sabbeth, Feldman Lumber and Miller Supply.

An unofficial meeting of all creditors whose claims exceed $1,000 was scheduled to be held at the Brooklyn Bar Association on June 3. Representatives of Gem, Hauptman and Hauptman and the creditors are expected to work out a plan for preliminary reorganization of payments.

Sheldon Spodek, president of Gem Lumber, heads up the four-store chain which was formed after the 1979 split of the original Gem Lumber. Spodek's Gem Lumber now operates two stores in Brooklyn, one in Queens and one in Staten Island.

Sheldon Spodek, the elder brother of Richard Spodek, was partners with his brother and Robert Gans in the original Gem Lumber which he joined in 1962. All three partners received a package of stores and the right to use the name Gem when the company was divided after a dispute in corporate direction.

After the split, Richard Spodek and Robert Gans ceased to use the Gem name, but some confusion remains.

Channel dominates N.J. Show

EAST RUTHERFORD, N.J.—Channel Home Centers dominated the first Greater New Jersey Home Show, a consumer exhibition held last month at the new Byrne Meadowlands Arena.

In addition to 26 10-ft. x 10-ft. booths manned by the home center firm's suppliers, Channel also conducted hourly DIY clinics and stationed its telephone answer man, known as Dr. Wally Barnett, at the exhibition entrance.

Channel was among more than 300 retail, wholesale and manufacturer exhibitors that filled the 100,000 sq. ft. of show space at the arena, drawing more than 80,000 attendees.

Reaction among exhibitors varied from a disappointed lawn and garden supplier, who felt the show was too late in the season for his category, to a lumber wholesaler pushing treated wood for decks who said, "We sold 14 truckloads just from the show."

The show's producer, Richard Sherman, who organized previous shows in New England,said he broke even and is optimistic about next year's exhibit.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 13. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 13 June 21, 1982

Wickes offers 4-stage plan at meeting with creditors

By Brad Altman
West Coast editor

LOS ANGELES—An estimated 1,100 persons came to a court-ordered creditors' meeting to ask when Wickes Cos. would begin repaying its $1.98 billion debt. Top management officials said they didn't know.

Nonetheless, Wickes' head Sanford Sigoloff said he hoped the implementation of the repayment plan would happen quickly:

"When we can forecast our sales, profits and cash flow—and only then—will we be prepared to deal with the creation of a plan of arrangement that will allow us to repay our indebtedness."

Sigoloff, the corporate "rescue artist" who was hired in April to reverse Wickes' mounting problems, chose the June 3 meeting at the Los Angeles Convention Center to offer his most complete public accounting of how he plans to nurture the giant retailer back to health.

His presentation, accompanied by graphs and charts projected onto two giant screens, was mandated by Federal bankruptcy laws. The meeting was set April 24, when Wickes filed Chapter XI petitions for nine divisions including Builders Emporium and Wickes Lumber. By April 30, Wickes had sought court protections from its creditors for a total of 21 of its 24 divisions.

Sigoloff told creditors that the company's retailing operations "are receiving support from the trade," and "they have sufficient inventory." Wilhelm Mallory, senior vp and chief financial officer, elaborated at a press conference following the meeting, saying stores companywide are "probably getting 85% to 90% of the goods they need." Sigoloff said Wickes is "proceeding to restock cautiously. We don't want to deal with another round of inventory obsolescence and markdown."

Company officials also disclosed that Wickes has suspended negotiations for a bank credit line of more than $100 million that it originally sought as a reserve for seasonal buying (*NHCN*, May 24). Cash flow from operations and divestitures, such as Wickes' recent $43.5 million sale of its agriculture business to Pillsbury, is satisfactory, said Jeffrey Chanin, senior vp for operations, divestitures and reorganization.

As of the first week in June, Wickes had a cash balance of approximately $180 million, said Wickes counsel Bernard Shapiro. He said positive cash flow will increase.

In response to a questioner who claimed some suppliers receive preferential treatment, Mallory said Wickes is planning

(Continued on page 26)

Helps to boost DIY reputation

Dixieline show doubles volume

SAN DIEGO—Dixieline Lumber is strengthening its hold on the DIY market here.

The five-unit chain recently held a "Home Fix-It Fair" at its newest store to boost consumer recognition of its DIY orientation.

And in nearby Oceanside, where Builders Emporium closed an unprofitable operation in early April, Dixieline is mapping plans to open a new home center.

Jim Inglis, vp-merchandising of Dixieline Lumber, San Diego, said unit sales doubled during last month's Home Fix-Up Show. Door prizes of up to $300 in goods helped lure more than 35,000 DIYers.

The 69-year-old company, which was bought by Weyerhaeuser in 1979, has traditionally been a major force in San Diego County's wholesale lumber marketplace.

Wholesale operations generate about 50% of Dixieline's estimated $100 million sales. While Herb Winward, who oversees retail operations for Weyerhaeuser, declined to disclose Dixieline's profits or sales, he added that Dixieline's "consumer business continues to grow while the contractor business ebbs and flows with market conditions."

Consequently, Dixieline is giving increasing emphasis to its retail operations. Each store reportedly generates about $10 million in annual sales.

The year-old Miramar Road facility, a five-acre complex featuring a 16,000-sq.-ft. home center and two-acre lumberyard, was the site of the consumer show.

Held the weekend of May

(Continued on page 25)

N.Y.C. offers homeowners improvement loans at 10.5%

NEW YORK—Low-interest home improvement loans of up to $10,000 are now being made available to residents here under a city program.

The program is targeted at middle-income people, offering families earning up to $52,640 (depending on the size of the family) $10,000 loans at rates of 10.5%.

Loans can be used to repair or replace building systems or to make other capital improvements, but generally cannot be used to finance freestanding appliances, household furnishings or burglar protection.

Eligible for the loans are owner-occupants of one-to-four family homes in 33 selected neighborhoods in the city's five boroughs. The loans are administered by 12 banks who have committed $5 million; an additional $4.2 million is expected from an Urban Development Action Grant.

The borrower must repay the loan within 10 years in equal monthly payments and must own and occupy the house for not less than three years after the loan is granted.

No less than one-third of the home improvement work must be allocated to code-related and/or basic structural items, energy conservation, heating, wiring, plumbing or termite and fire protection. The owner must permit the city to verify completion of the work.

According to program administrator Jennifer Wallace, 150 homeowners have been granted loans since the program was initiated last February. The program has suffered from a lack of public and industry awareness, however, she said.

"We had a great deal of publicity at the beginning of the program," Wallace said, referring to a City Hall press conference attended by Mayor Ed Koch and the first six families taking out the loans.

While the number of loan applicants has picked up over the past several weeks, according to Wallace, 300 loans must be granted before UDAC releases the $2.7 million balance of its commitment.

Home center spokesmen contacted in all five boroughs were generally unaware of the program but all thought it worthy of promoting at their stores.

Ira Rosenfeld, vice president of Butler Lumber in the Bronx, thought the program could be good for business and very helpful to moderate income families "who could afford to pay back the loan."

At Manhattan's Century Lumber, owner Harry Rothpearl was convinced that "if people know money is available they'll apply for it."

Abbe Building Materials owner Bernard Scharff on Staten Island said the success of the program depended on controlling interest rates and inflation.

"Just having the funds available is not a boon for our industry," he said. "The homeowner must have some money left over after living expenses to pay back the loan."

FUTURES

Two weeks ended May 28, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July	146.40	134.50	142.80	140.90	3,174	224.50	132.30
Sept.	154.90	145.00	152.40	151.00	1,794	229.50	142.80
Nov.	158.80	149.00	156.30	154.00	854	224.50	146.00
Jan. '83	167.00	157.20	163.20	161.90	390	205.50	153.20
March	172.10	165.50	170.00	169.30	111	209.80	164.00
May	178.40	170.80	175.50	175.00	130	202.00	170.00
July	184.50	178.10	183.00	182.10	139	201.00	176.30
PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
July	171.60	165.30	167.80	169.70	1,447	219.00	156.20
Sept.	176.20	170.30	172.70	174.60	651	224.50	160.80
Nov.	180.00	174.50	176.50	178.80	323	226.50	165.00
Jan. '83	184.50	178.30	180.30	183.50	170	218.60	168.00
March	189.30	184.50	186.00	188.50	29	196.30	174.00
May	193.80	191.00	191.00	—	2	194.20	191.00

Total Contract Vol. (Through 5/28): 17,863 — **Previous Two Weeks: 22,301**
Total Open Interest (As of 5/27): 6,626 — **Previous Week: 6,716**
Cash Price: $139.16 — **Previous Week: $129.36** — **Year Ago: $161.70**

Total Contract Vol. (Through 5/28): 3,446 — **Previous Two Weeks: 3,953**
Total Open Interest (As of 5/27): 2,622 — **Previous Week: 2,552**
Cash Price: $172.48 — **Previous Week: $169.54** — **Year Ago: $201.88**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	244.9	250.8	287.4

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, May 27.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

LUMBER REPORT

Prospect of Federal help splits the forest industry

By Kenneth Schept
NHCN senior editor

The forest products industry has been the scene of controversy in recent weeks as trade groups met to discuss housing legislation, timber contracts, import tariffs and transportation costs.

Schept

These issues, which drew the attention of the National Lumber and Building Materials Dealers Assn., the National Forest Products Assn., the North American Wholesale Lumber Assn. and the National Assn. of Home Builders, may eventually impact DIY retailers since their resolution could affect lumber prices and the level of business.

While the differing viewpoints are usually based on narrow self-interest, advocacy or opposition to housing bailout legislation seems to depend on whether one's conservatism is fundamental or practical.

For example, Buddy Klumb, of Klumb Lumber, Biloxi, Miss., a Gulf-area wholesaler, is a customer of Billy Stimpson, a Mobile, Ala., lumber producer. While Klumb, an active NAWLA and NFPA member, opposes bailout legislation for housing, Stimpson, NFPA president, supports the Lugar bill.

Stimpson confronted waivering support for the Lugar bill among the NFPA's staunchest conservatives by noting, "We actively fought for Lugar as the lesser of evils. If we change now we'll seem like the biggest jackasses in the industry."

Both Klumb and Stimpson live fairly near Pascagoula, Miss., home of Trent Lott, the Congressman who expressed his support for housing legislation at NLBMDA and NFPA meetings. He told the latter group that growing conservatism in Congress can be traced to the development of industry political action committees, since before PAC's, "Congress was bought and paid for by labor and liberal organizations."

Conservative leaders of the forest products industry, believing they helped bring America to its senses, are uneasy with what seem to them profligate Democratic solutions to their problems.

The Lugar bill was accepted out of national desperation and with careful crafting. As Sen. Richard Lugar (R-Ind.) told the NAHB, his bill is "a careful rifle shot that does not do harm to budget plans." It is not, he said, the edge of the wedge that would force open the assistance gates to all interest groups.

Where the impact of a problem is more localized, like the effort to pass legislation forgiving certain timber contracts on Federal land, support is less than unanimous. Such contract relief legislation would essentially help harvesters in the Northwest, who are being hurt by the slack in demand for timber they purchased at high prices.

Another perspective

Southern producers are wary, since they could conceivably be hurt if a bill resulted in more Western lumber on the market, competitively priced with Southern wood. Unlike the Northwest, most of the forest land in the South is privately owned, so such a bill would have little direct positive impact.

A spokesman for NAWLA expressed little sympathy with the Northwest's plight. Everyone was making money during good times, he said. Those relying on public land bid up prices relying on inflation to make their profit. "Disinflation is killing them now," he said.

Voices disagreement

The wholesaler group also opposes an effort to establish import tariffs on Canadian timber. Supporters, who seem to be headed by a Eugene, Ore., group called the Western Resource Alliance, will try to persuade the International Trade Commission to level import duties that will bring United States and Canadian wood closer to parity in price.

NAWLA, which now has a Canadian president, sees North America as borderless when it comes to the lumber business. While Southern businesses might also seem less likely to support trade tariffs, advocates point out that 50% of the lumber sold in Georgia is Canadian.

Tariffs are also not favored by industry giants, like Weyerhaeuser, that do substantial international business.

However, NAWLA is critical of a Canadian advantage that its spokesman says developed from railroad deregulation, allowing a particular line to offer special, secret rates to businesses from north of the border.

The wholesalers also say they are tired of carrying the inventory burden for retailers, with today's high interest rates. While NAWLA's solution may draw some fire from retailers, it does not require controversial Government help. NAWLA recommends contracts between wholesalers and retailers on future deliveries with the future pricing a sweetener.

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SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Lowe's	4/30-1st qtr.	$214,760	$218,071	–2	$3,213	$2,175	48
Scotty's *$ in thousands	4/26-4 wks.	25,623	27,329	–6	—	—	—

First-qtr. sales up 11% at Rickel

WOODBRIDGE, N.J.—Rickel Home Center sales increased 11% in the first quarter to $44.4 million compared to year-ago results, according to officials from the chain's parent, Supermarkets General.

They added that Supermarkets General's improved profitability from $2.0 million last year to $4.3 million in this year's first quarter was in part a result of significant earnings gains at its 33-unit home center division. Rickel's earnings figures were not available.

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STOCK PRICES

	As of 5/26	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	25½	48¼	25½	8
Diamond Int'l (NYSE)	38¾	41¼	26¼	17
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	9	26½	9	10
Forest City (AMEX)	12¾	19¼	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	37⅝	51	34⅜	4
Lowe's (NYSE)	15	18⅝	10½	16
Payless Cashways (NYSE) [Furrow]	20½	22¼	15¼	16
Scotty's (NYSE)	18¾	26⅝	15⅛	9
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9⅝	24⅜	9⅝	34

*$ in millions

Over-the-counter stocks

	As of 5/26 Bid	As of 5/26 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	9¼	10	14¾	7½
Hechinger	18¾	19	23⅛	10½
Hines Lumber	19½	20	21	15
The Home Depot	16½	16⅞	16½	6⅛
Pay 'N Pak	13½	13¾	18	13⅛
Pay 'n Save	16⅞	17⅛	29½	16½

Touche Ross

(Continued on page 17)

• economies of scale normally associated with sales increases were not being achieved;
• SG & A expenses, which are typically considered fixed or semivariable, were behaving as if they were totally variable.

To survive in the 1980's, retailers must be able to reverse both of these conditions.

Periodic special studies

In light of the dangers of misleading figures, what should today's retail executive do?

The first step is to make an objective, critical evaluation of your company and the markets it serves. This means developing meaningful performance information by store, department and by square footage. Not only for sales, but expenses and profits as well.

It requires trending this information over a number of years. A graphical trend helps keep our evaluation objective.

So you can see, understanding what's behind the total company performance is extremely important.

Will this year be the year for solutions? It will be up to management.

Only when armed with this information can the retailer select the actions and strategies that are right for his company. It should help him answer the following questions:

• What should be the major priorities for action and change?
• Is the company at or near its practical limit for
  Gross margin improvement?
  Store staffing reductions?
• What other opportunities exist or need to be explored for improved profitability?
  Organizational restructuring;
  Reassessment of overhead staff levels;
  Elimination of less productive stores;
  Elimination of functions;
  Change in merchandise mix;
  Modified store hours.
• Are merchants "Market" pricing and unconsciously failing to pass on the impact of inflation?
• Are there other management decisions that require reassessment?
• Is the expense level indicative of an overstored position or of inadequate attention to the overhead budgeting process?

Precise solutions and priorities will vary for each company, by market segment and geographic area. But one thing is clear, the success model for retailers has indeed changed. No longer do sales increases alone indicate success. The new model requires the vision and analytical ability to measure profits and return on investment—and to measure these trends at store level where the action is.

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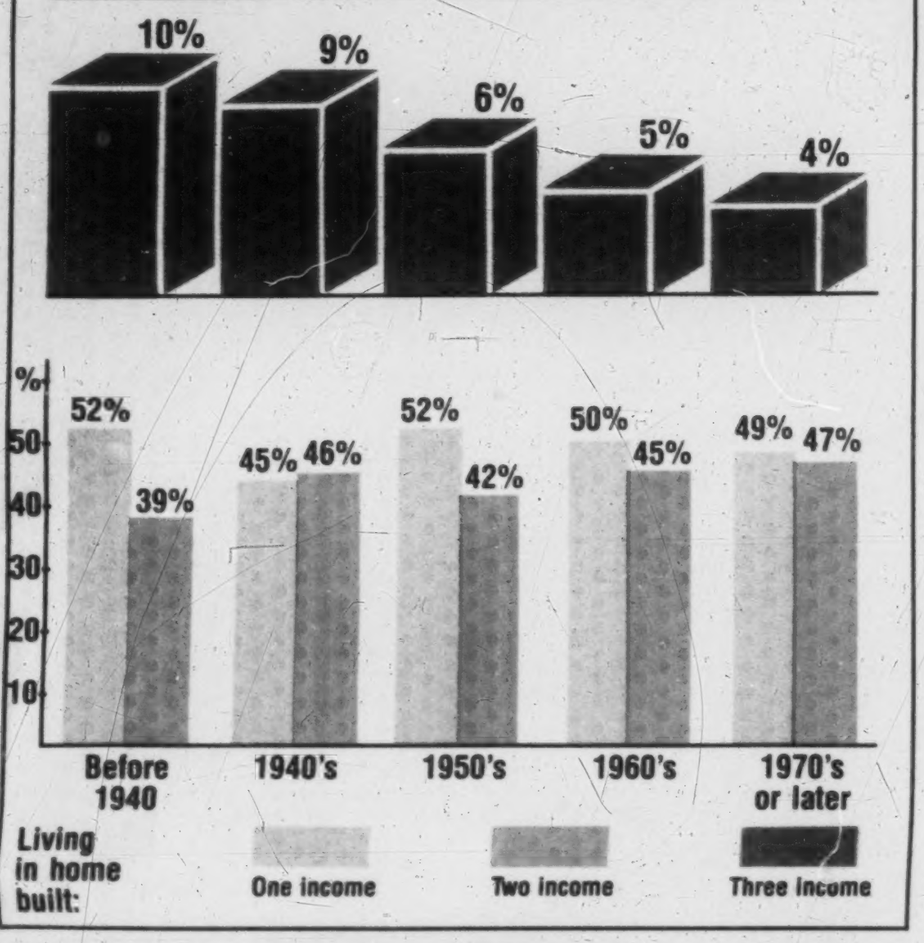
National Home Center News®

Vol. 8, No. 14 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. July 5, 1982
$7 per year $2 per copy

HOMEOWNER PROFILE

Household income patterns



Consumers' spring buying brightens DIY chain sales

NATIONAL REPORT—Increased consumer spending this spring has relieved many home center retailers' problems and has produced an optimistic outlook as the third quarter begins.

With better weather in the second quarter, DIY activity heated up, resulting in outstanding sales periods for chains like Busy Beaver, Payless Cashways and Central Hardware, according to company officials.

Forest City, Lowe's, Scotty's and Handyman also reported better retail sales in the second quarter.

Dealers said, for the most part, they have also been able to maintain or improve their margins.

On the other hand, although the home building depression showed its first sign of easing, contractor business continues to lag and dealers do not foresee a turnaround in the near future.

Busy Beaver's recent retail picture has been "excellent, beyond encouraging," according to Tom Herward, marketing vice president.

Retail figures in April improved by 20%-25% with company sales up 8%-15% overall. The next month turned out to be Busy Beaver's best May ever as retail volume gained 30%-35% with sales up about 25% overall, Herward noted.

The Pittsburgh-based chain is not ready to throw caution to the wind, however.

"We're finding business out there, but it's still difficult to come by," Herward explained. "With unemployment rates high, people are still very careful where they spend, but we feel we're getting more than our share of the business and we know we've increased our market share."

The chain has done it with aggressive pricing and advertising, while showing some decline in margin percentage, but an improvement in gross margin percentage, because of the sales gains, Herward said. The activity came while Busy Beaver was operating one less store than a year ago.

"We feel that we'll have a good retail third quarter with some impetus coming from two new units in the Pittsburgh area in August," Herward said.

Payless rebounds

Payless Cashways, Kansas City, Mo., rebounded from a lackluster first quarter to post a 41% net income rise to $6.7 million on a 25% sales gain to $159.4 million compared to a year ago, Wayne Zetzman, vice president, finance, reported.

"We're looking for the same type of improvement in the third quarter," he added. "Still, a lot depends on the economy, but our third-quarter comparisons from last year should be easier to make."

In the second quarter, Payless, with seven more stores than last year, improved mar-

(Continued on page 54)

Survey reveals 'doubling up' trend

3-income households on the rise

NATIONAL REPORT—A significant number of America's single-family homes are now occupied by three-income households, according to a recent survey by *National Home Center News* and the National Assn. of Home Builders.

The study found that 6.3% of the homes surveyed or 2.8 million units are three-income households.

Government housing analysts and other experts note that this phenomena has not been revealed before, but that it is plausible, based on demographic trends and economic pressures.

"It may be due to the lack of new construction and the backup in demand," said Ken Kerin, vice president, economic research for the National Assn. of Realtors. "Single individuals who two or three years ago might have been off in their own townhouse or condominium may now be living with their parents."

He cautioned against assuming from the data that United States housing was becoming unaffordable without a third income, however.

At the same time, a second income now seems to be a common way for Americans to meet housing and other living expenses, according to the survey, with almost an equal number of one-income and two-income households occupying the nation's single-family housing.

The *NHCN*/NAHB survey involved 900 respondents and is applicable to the nation's 44.4 million single family, detached, owner-occupied dwellings. Findings were correlated according to the decade in which a house was built.

Three-income households are more often found in older homes, with 10% of the dwellings built before 1940 occupied by three-income groups, while the same figure for houses built in the past 12 years is only 4%.

The trend reverses with two incomes. In single-family homes built since 1970, about an equal number are occupied by one-income and two-income households. In homes built prior to 1940 only 39% of the households said they were two-

(Continued on page 4)

Wickes to meet creditors following huge '81 loss

By John Caulfield
NHCN Associate Editor

LOS ANGELES—Wickes Cos.' creditors, still in the dark about the company's direction under Chapter XI, may finally get detailed financial information and store closing plans when their four creditor committees meet with corporate officers here on July 13.

At that meeting, Wickes executives will elaborate on fiscal 1982 and first-quarter 1983 results, released June 15, showing massive losses, as well as provide information from the 10K and 10Q filings with the Securities and Exchange Commission, in an effort to persuade skeptical vendors to resume shipping the company's stores on a regular basis.

Until now, only one-third of Wickes' 15,000 vendors have extended "near normal" shipping terms, with another 30% "that aren't cooperating with us at all, and want payment immediately, any way they can get it," said Wilhelm Mallory, senior vice president and chief financial officer.

He added that about 40% of the vendors fell somewhere in

(Continued on page 54)

NEWSBREAKS

ACE GOES RETAIL. Through the establishment of its AHC Store Development subsidiary, Ace Hardware has begun construction of its first retail unit, a 15,000-sq.-ft. store in the Des Moines, Iowa, suburb of Urbandale. The 4,200-member Oak Brook, Ill., co-op expects to complete the building by mid-August, with its opening scheduled for early October. Ace is aiming to locate stores in areas where no current hardware retailer qualifies for Ace's franchise program. The new store will be sold to a dealer as soon as it is operational.

INSIDE

EDWARD HINES Lumber is getting out of manufacturing, selling its eight remaining sawmills. ..... **page 2**
MAY HOUSING starts were up 22.3%, breaking the million mark for the first time this year. 2
FOREST CITY tests a race track format in two units. 3
BUILDER MARTS of America's buying strategy is giving independent wholesalers a run for their money. 3
STATES MAY pick up where the Justice Dept. leaves off on enforcing retail price maintenance. 9

Program promotes energy center

CHICAGO—Dave Martin would like to be the first unofficial U.S. secretary of energy.

At least that's one conclusion that can be reached based on his Hearth Group's promotion of their "Fire Sites Energy Centers" as "The new national department of energy."

The Hearth Group is a national network of alternative energy manufacturers, distributors and retailers formed in March 1981. Currently, the group is primarily involved in promoting its Fire Sites program, aimed at developing and enhancing one-stop energy centers at the approximately 8,500 independent home centers in the United States.

At present, the program involves 400 retailers, 58 manufacturers and 45 distributors. Retailers, recruited through distributors, pay a one-time fee of $99.75 and initially receive in-store signage materials, including permanent wall/window banners, door/window decals and permanent metal and plastic signs.

The degree of involvement on behalf of the retailer is completely voluntary, Martin said. If he wishes to do more than merely establish the Fire Sites identity, promotional, paper display items, radio jingle tapes for in-store usage, price cards and ad slicks are also available, as well as a program of sales training for store employees.

(Continued on page 4)

Yellow and black sign identifies home center heating, wood stove or fireplace departments as Fire Sites Energy Centers.

DIY Industry update

Lloyd extends Sunday openings

DANBURY, Conn.—Lloyd Lumber, which opened its doors to customers on Sundays for the first time at six of its 22 outlets in May, has now extended the test to 14 stores after achieving "excellent" results in the program's earlygoing.

"Some of our stores we know still don't warrant Sunday openings," said Peter Muller, the chain's marketing vice president.

For some units, however, Sunday has become the second or third best day of the week in terms of sales, Muller noted.

"At first, we were leary that Sunday sales would take away from Monday business," he said, "but it hasn't. The Sunday sales have been add-on sales for us."

"Four managers whose stores were not part of the test originally came to us and asked if they could be a part of it," Muller said. "They felt the business was there."

Lloyd officials have announced the Sunday openings with an alternate cover on its flyers directed at those stores with the extra selling day and through its ROP ads, according to Muller. Stores also display "Now Open Sunday" signs.

Close-outs spark Goodman sales

SAN FRANCISCO—The mailgram from Charles Goodman left no doubt that he meant business: "We want your close-outs, overstock and odd lots in truckload or carload quantities. Cash payment on your terms. Call collect."

Goodman, secretary/treasurer of five-store Goodman Lumber, was amazed at the response. "We mailed them out on a Sunday night and by 10 the next morning a guy delivered several thousand feet of mosaic tile to us!"

According to Goodman, "between 60 and 80" manufacturers responded to the May appeal, resulting in a week-long sale promoted by a "rag-tag" full-page ad in the *San Francisco Examiner and Chronicle* headed "Goodman's Got It!"

All merchandise was sold directly from the floor, nothing was warehoused, Goodman said. "The center aisle was packed with goods, but there really wasn't much of a space problem. Just as soon as we sold out a space we brought in more merchandise," he said.

Goods for sale included everything from 5-ft. fiberglass tubs at $39.95 and one-piece "A" grade toilets at $99.95 to redwood fence boards at 20¢-54¢ per linear foot and cabinet hardware at 19¢ each.

In an era of "cut throat competition," Goodman believes that closeout sales are one way to keep margins up and prices down while making a nice profit; but it's not for everyone.

Ex-PMI units test drapes

ROCHESTER—Draperies are being test marketed at nine of 42 Floor to Ceiling Stores, the company formed from franchisees that broke away from Plywood Minnesota last September.

The move is part of the firm's attempt to forge a decorator-oriented identity. As George Scheer, president, explains it, the stores will stress interior home products that require installation.

While selling drapes involves special problems, according to Scheer, they can also be exceptionally profitable.

"It's a complicated product," he said. "If the drape doesn't hang exactly right you have to make an adjustment. You may have to steam out a crease. If you make a mistake measuring, that's a problem too."

But, Scheer added, "If we don't screw up, if there are a minimum of returns and corrections, then we can expect about a 50% gross profit margin."

The profit potential is greater than for other window treatments, he said, because merchants tend to price drapes less competitively.

Besides profit potential and the fact that drapes fit well with the stores' other merchandise, the desire to completely serve a customer, rather than lose him to a competitor was also a factor in the test marketing.

National Home Center News.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 14 July 5, 1982

Hines quits manufacturing, will sell remaining mills

CHICAGO—Edward Hines Lumber is selling its eight remaining sawmills and getting out of manufacturing completely.

Most of the mills, which are all located in the West, will continue to operate while a buyer is sought. Earlier this year the company announced plans to sell its Southern mills.

A vertically integrated lumber company with manufacturing, wholesaling and retailing operations, Hines was hurt by the housing slump and depressed market, ending 1981 with a net loss of $5.8 million on sales of $265 million. In 1980 the company reported a net loss of $1.7 million on sales of $271 million.

"We've been involved in a strategic planning effort for the last eight months," said Edward Hines, president ceo. "We came to the conclusion that we are a very spread out company and should capitalize on certain aspects of our business."

It is not yet clear which remaining aspects will dominate, according to Hines, who took over the reins a year ago from Howell H. Howard, now chairman. Both men are grandsons of the 90-year-old firm's founder.

Retailing is certain to have a place in the restructured corporation. It is only a matter of the degree to which it will be stressed.

Hines now runs 12 wholesale and 25 retail outlets, including 13 home centers and 12 lumber yards. Its DIY business last year was about $25 million.

If retailing becomes Hines' core business, more home centers will be opened and existing

(Continued on page 54)

Nathanson leaves Bonanza; Jim Grogan named new prez

SAN JOSE, Calif.—Home center industry pioneer Stanley Nathanson has left six-unit Bonanza Building Centers and has been replaced by Jim Grogan, another industry veteran.

Nathanson's resignation from the presidency of the San Francisco Bay Area chain was expected. He had given Australian conglomerate Burns Philp, Bonanza's owner, a year's notice that he would be leaving.

Nathanson said he is returning to his native Chicago having accomplished his No. 1 goal: "To get the company off the ground and to register it in the minds of the people as the dominant home center in the marketplace."

Nathanson had helped Burns Philp negotiate the $5.5 million purchase of four former Angels units from W. R. Grace in 1980. Two additional stores opened this past spring.

Other than the possibility of doing some consulting work for Burns-Philp, Nathanson remained vague on his future plans, saying he is "exploring various possibilities."

Grogan, 58, formerly president of Plywood Minnesota, left

(Continued on page 4)

May starts rise 22.3%, top 1M

NATIONAL REPORT—While housing start figures were up dramatically for May, there was ample reason for building supply retailers to remain cautious.

Seasonally adjusted figures for total housing starts reached 1.08 million, the first time the million mark was passed in a year. Total starts improved 22.3% from April.

However, they were still off 7.3% from May 1981 and seasonally adjusted single family starts, which most impact retailers, were up only 8.7% from April, for a seasonally adjusted total of 622,000.

The most substantial one-month improvement was in the South, where total starts were up 31.1% in May. Reportedly construction in East Texas, especially Houston, was responsible for this regional boost and had a strong influence on the improvement shown nationally.

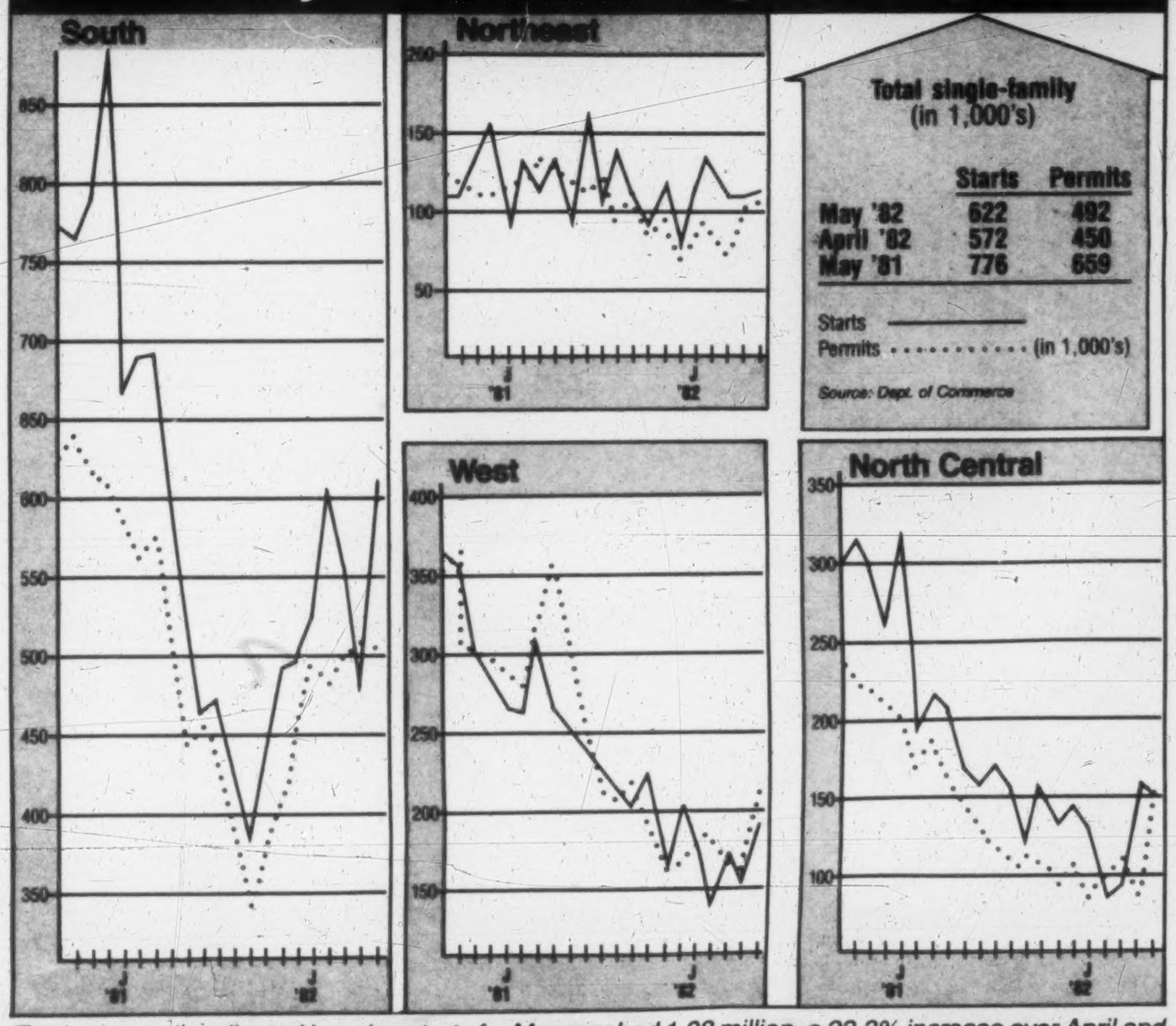
The active east Texas market, however, is multifamily. While it obviously helps the building industry and has helped sustain Southern lumber prices somewhat, its overall affect on building material retailing seems less significant.

Permits were actually down in the South for May compared with April. Nationally they were up 2% to a seasonally adjusted 969,000. The North Central region, hardest hit by the nation's recession, showed the most promising permit filings for May, up 31.7% from a month earlier and up 1.3%, from a year ago.

While the long awaited upward surge in starts was welcomed by the National Assn. of Home Builders, it was not seen as proof that recovery has arrived. Strong, sustained home building depends on lower interest rates, according to NAHB.

That group and other housing-related trade associations have been active in lobbying Congress for legislation that would stimulate home building by subsidizing mortgage payments temporarily.

May home-building activity



Total seasonally adjusted housing starts for May reached 1.08 million, a 22.3% increase over April and the first time the million mark was broken in a year, although building was still off 7.3% from May 1981. The impact on building supply retailers may not be as strong as the optimistic numbers might first indicate, as seasonally adjusted single family starts rose only 8.7% compared with last month for a total of 622,000 units.

Energy centers

(Continued from page 1)

Participating manufacturers pay a 6% rebate to the Hearth Group based on sales to member distributors. An additional 2% of those sales are earmarked for radio ad support of that manufacturer, resulting in a low-cost co-op allowance for participating retailers.

The additional co-op dollars are used for 60-second radio spots, generally consisting of a 40-second Fire Sites/dealer identification and two 10-second plugs for noncompetitive manufacturers. For example, a wood burning stove company might be paired with a manufacturer of chimney brushes.

Martin is now involved in discussions with various alternative energy associations, such as the Wood Heating Alliance and the Passive Solar Industries Council, aimed at the creation of bumper stickers for their members featuring the industry battle cry, "Be Energy Independent!"

With a program built around consumer concern over high utility and fuel costs, Martin admits that a continuing decline in prices could jeopardize the program, but he doesn't feel the drop in costs will continue.

Martin envisions Fire Site stores as "community energy information centers" providing free energy tips on saving money and a wide variety of energy saving products.

"With the gradual dissolution of the U.S. Department of Energy, I see Fire Sites Energy Centers filling the public information void by becoming the 'new departments of energy,'" he said.

In addition to the Fire Sites program, the Hearth Group is promoting an Energy Independent Home marketing program for home builders, available through Hearth Group distributors.

One concept Martin would like to promote is the "solar spa package," priced at "under $10,000" and including a DIY greenhouse kit, hot tub, through-the-wall power vents to transfer solar heat, wood stove and insulated shades.

"This is a highly merchandisable package for the home centers," Martin said.

"The alternative energy market isn't just for the back-to-nature of high-tech types any longer," he said. "We take a very pragmatic approach. We're trying to reach the middle class on a realistic level. Solar products can be successfully marketed at the retail level, not only through contractors."

Somerville opening has 'Mass' appeal

Somerville Lumber's Melvin Cohen introduces Massachusetts Gov. Edward J. King (center, next to co-owner Harold Cohen) at last month's grand opening of store No. 2 (pictured just before its debut) in Westboro.

WE BUILD
GAS AND ELECTRIC
STRING TRIMMERS
FOR EVERY YARD
IN TOWN.

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STRING TRIMMERS
the finishing touch

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3-income household

(Continued from page 1)

income.

The newest homes are predominately occupied by professionals with a median age of 45.8 years and median household income of $32,074. In the oldest homes the typical owner is retired, 60.2 years of age, with an income of $20,486.

"My feeling is that the majority of three-income units are older homes with middle- and upper-aged heads, with the third income being a son or daughter who has returned home and is earning a full wage," said Martin Levine, deputy assistant director for the Congressional Budget Office.

It is also possible that the wage earners are not related.

"We've seen an upswing in three unrelated younger people buying a house together," Levine said.

It is unlikely that three-income are required to cover housing expenses in older homes, he said, because many of these dwellings either are mortgage free or are being paid for at low-interest rates.

"I look for more and more forms of doubling up," said Henry Schechter, director of the Office of Housing and Monetary Policy for the AFL-CIO, because of the shortfall of housing production relative to need."

The *NHCN*/NAHB study, called a Survey of Additions and Alterations in Existing Single Family Homes, was aimed at determining what DIY products homeowners are most likely to buy and which projects they will probably undertake based on the age of their home.

The two-income and three-income household trends were derived from questions that established the survey sample's demographic mix.

Nathanson

(Continued from page 2)

the Minneapolis-based chain last fall shortly after owner Sen. Rudy Boschwitz sold PM's 44-unit franchise operation to a group of company veterans (*NHCN*, Sept. 14, 1981).

In recent months, Grogan said he was involved with other unspecified business interests before joining Bonanza June 14.

Previously, Grogan was president of Lonestar Building Centers, one of two operating divisions of Greenwich, Conn.-based Lonestar Industries.

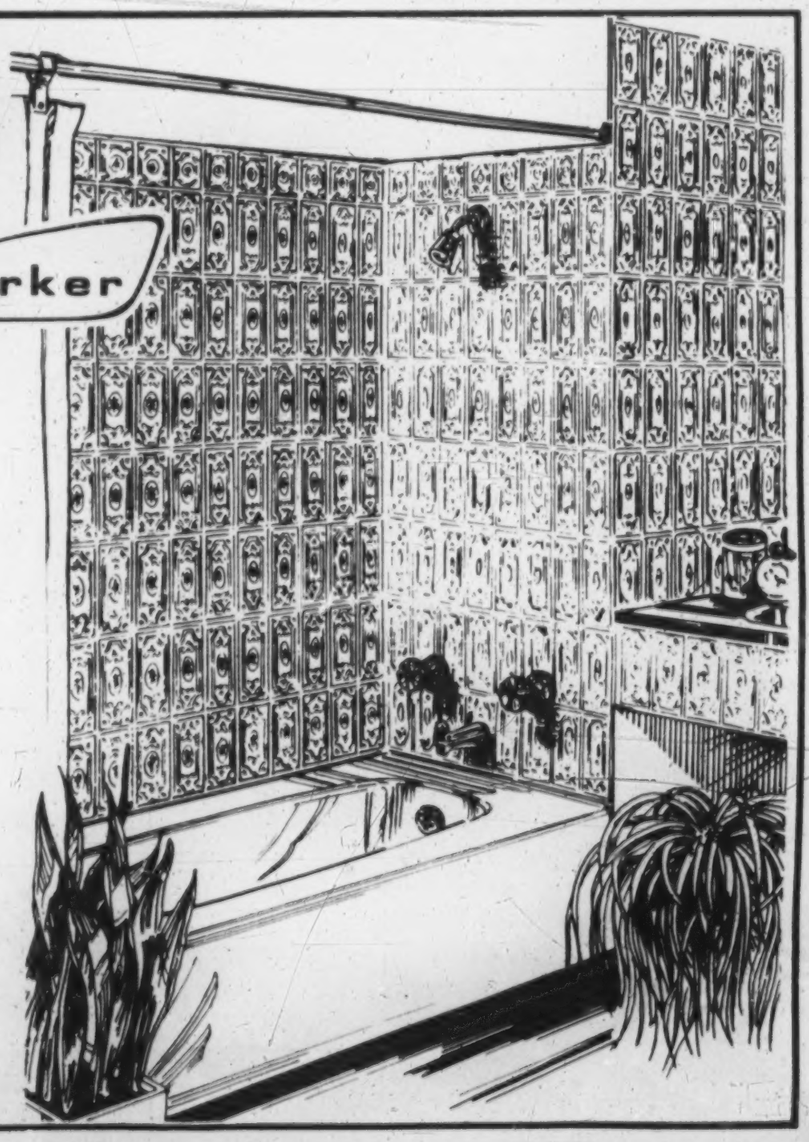
Because of his experience with those home centers which competed with Angels outlets, Grogan doesn't consider himself a neophyte to the California market.

He declined to discuss any changes he may make at Bonanza, explaining that "my short-term plans are just to get familiar with the stores and the people."

BARKERTILE

by Barker

4' x 8' AND 5' x 5'
BATH AND KITCHEN PANELS



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- NO MOULDINGS NECESSARY — USE SILICONE CAULKING IN JOINTS AND AROUND EDGES.
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MEMBER NBMDA

Labor Dept.

(Continued from page 3)

ployees or less) to maintain logs and summaries of all workplace accidents and illnesses, and to make those records available to Federal O.S.H.A. inspectors upon request.

Calling the proposed exemption "part of O.S.H.A.'s continuing effort to reduce the record-keeping burden on employers," department officials said that their plan "will relieve a large number of employers of an unnecessary paperwork burden without lessening on-the-job safety protection for workers."

Significantly, however, Reagan Labor officials proposed lifting the record-keeping rules only for retail segments with worker injury rates at or below 75% of the average rates for all businesses.

Home center operators and other retailers whose establishments fall into higher S.I.C. categories (55-through-59) will be exempted from O.S.H.A. record-keeping effective Jan. 1 if the Administration's regulatory reform proposal is implemented on schedule.

HOMEOWNER DEMOGRAPHICS

DIY activity: A special NHCN/NAHB report

Survey finds age of home a key in DIY purchases

NATIONAL REPORT—The age of a house has a measurable influence on the DIY products homeowners purchase and the projects they tackle, according to a new study by *National Home Center News*.

The study explores the DIY preferences of American homeowners according to whether they live in a single-family house built before 1940, of which there are 13.7 million; built during the 1940's, 4.9 million; the 1950's, 10 million; the 1960's, 11.2 million, or since 1970, 12.6 million.

Home improvement product preference and projects likely to be undertaken are sometimes dramatically affected by a house's age, the report reveals.

While almost 10% of homeowners in pre-1940 homes have bought ceiling tile, for example, fewer than 2% in homes built since 1970 have done so. Conversely, ceiling fans have been purchased by almost 20% of homeowners in houses built since 1970, while fewer than 3% of those in pre-1940 homes have bought them.

Significantly, with two-thirds of America's housing stock built during the past 30 years, the study also shows that the newer the house, the more likely its owner will shop at a home center.

For a complete list of the most popular DIY products, see p. 47

Of those living in homes built since 1970, 77% chose home centers over general merchandise, discount or specialty stores. And indeed, almost as many homes have been built since 1970 as exist from the entire pre-1940 period.

These findings are drawn from the 1982 Survey of Additions and Alterations in Existing Single Family Homes, conducted by *National Home Center News* in conjunction with the National Assn. of Home Builders.

It explores how the age of the American home influences the projects DIYers tackle, the products they buy, where and why DIY products are purchased and what projects DIYers plan to undertake in the next year or two. Questionnaires were mailed to 8,000 households in late March; 904 valid responses were received. Conclusions are applicable to the owners of the nation's 4.4 million single-family, detached, owner-occupied dwellings.

The study found that:

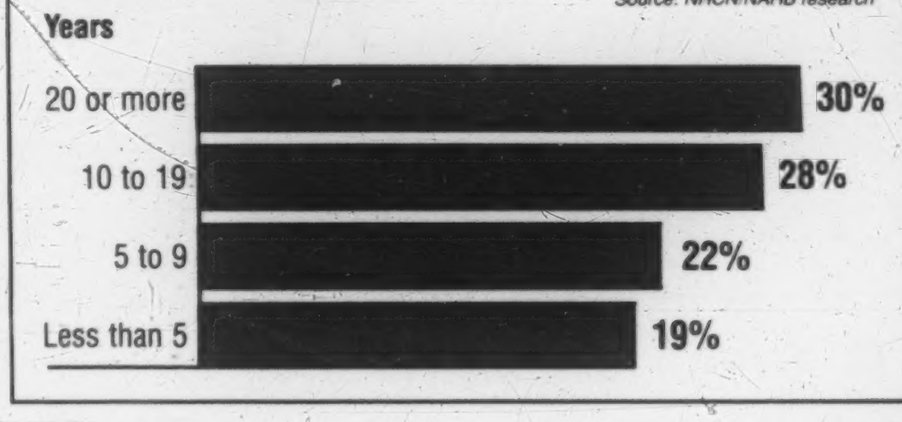
- The most likely DIY alternation homeowners will undertake during the next 12 months is changing a roof;
- Over the next 24 months finishing a basement or recreation room will be given highest priority;
- Kitchen remodeling was the

(Continued on page 16)

HOMEOWNER PROFILE

How long they've lived in their current home:

Source: NHCN/NAHB research



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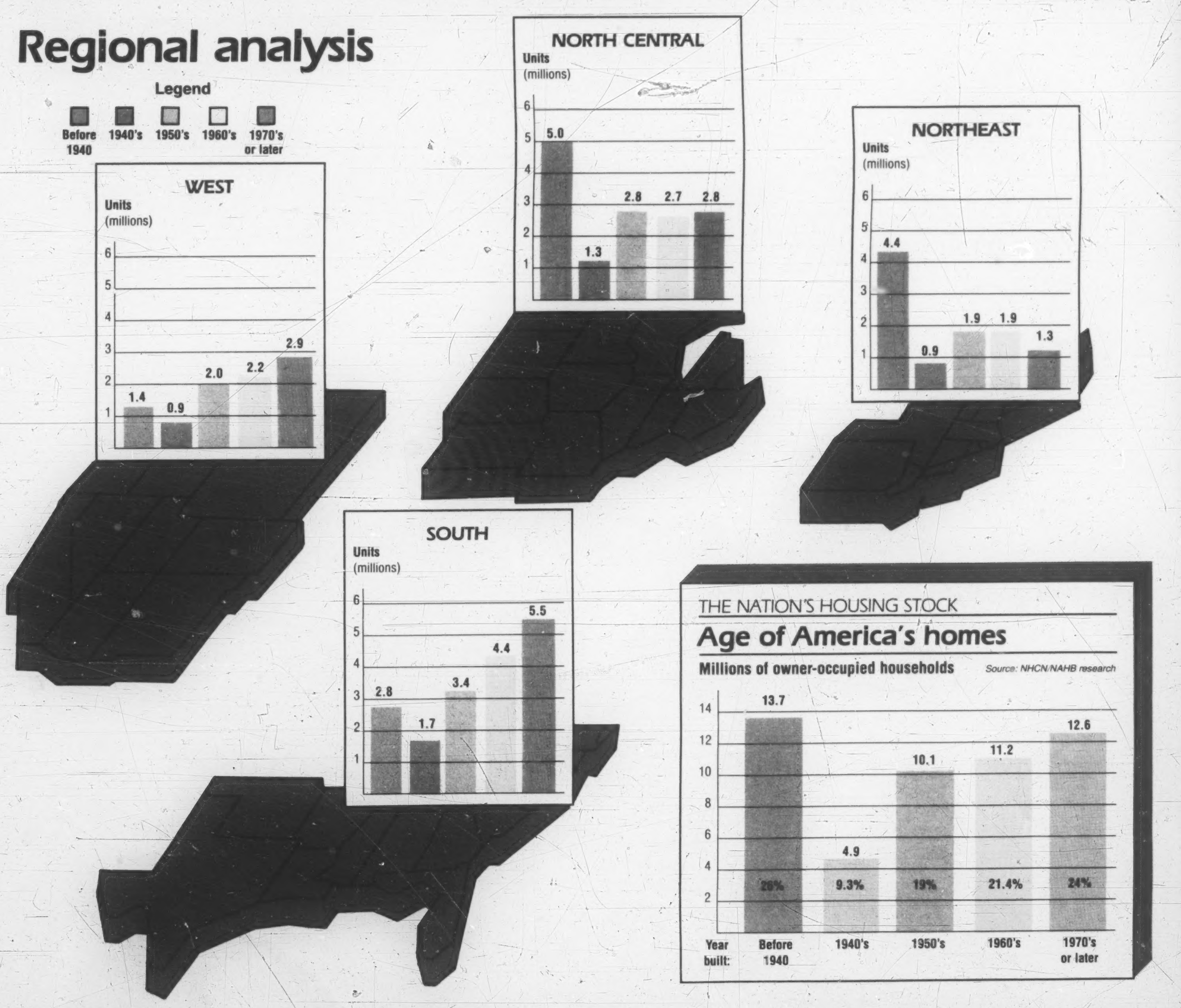


THE NATION'S HOUSING STOCK

Age of America's homes

Millions of owner-occupied households

Source: NHCN/NAHB research

DIY demographics: A special report

'Typical' DIY customer is 35-55, earns over $25,000

NATIONAL REPORT—The homeowner that home center retailers can target as their "typical" customer is a 34-55-year-old professional who has lived in his residence for over 10 years, has a wife and children and a household income exceeding $25,000.

This composite was drawn from a survey of 8,000 owners of single-family, detached, owner-occupied dwellings, which number 44.4 million across the United States. The study was conducted jointly by *NHCN* and the National Assn. of Home Builders, Washington.

The survey discovered that among its 900 respondents, a full 38%, or 16.9 million homes, are occupied by first-time home buyers, compared with 30% for second-time home owners, with 58% of the respondents having resided in their homes in excess of 10 years (30% for 20 or more years). These statistics appear to show less mobility among these homeowner types than is often supposed.

Among first-time buyers, there also tends to be a much higher degree of DIY willingness than among those purchasing their second or third residence. However, this trend reverses itself among fifth-time buyers, who as veteran homeowners show a surprisingly strong DIY propensity.

The majority of respondents (56%) said their head of household was between the ages of 34-64, with 34%, or 15.1 million homes, in the 34-54 range. Persons 65 or older constituted 30% of the total head of household group.

Professionals made up 41% of all heads of household, followed by retirees, representing 31% of the total. Breaking this demography out by age of home, the survey showed that families whose household head was 65 years or older tended to live in homes that were constructed in the 1940's or before.

Interestingly, while professionals were flocking to homes built after 1960, they also made up the highest percentage (31%) of those respondents living in pre-1940 dwellings; an indication this occupational group was, in part, seeking out older homes for renovation, as well as having a greater willingness to settle closer to urban areas where most pre-1940 homes are

Families with children still make up the largest chunk of households, with 43% of the respondents, or 19.1 million homes, falling into the classification. But another 39% were families with no children, and a startling 8% of all households, or 3.6 million homes, were owned by single women, double the number headed by single men or women with children.

Home preference among these family groups revealed that single women tended to occupy older homes, representing 14% of those respondents living in homes built before 1950, reflecting a combination of widows, and younger independent professionals. The childless husband and wife group formed the greatest percentage of those families in homes constructed in the 1950's and before (44% of those in 1950-59 dwellings). Not surprisingly, the husband and wife with children made up 37% of all the pre-1960 households; they also made up the largest cluster (59%) of those living in homes built after 1970.

The affluence of the prospective homeowner also appears to be growing. Of those surveyed, 40%, or 17.8 million households, said their combined family incomes were $25,000-$50,000, with another 14% in the $20,000-$25,000 spectrum.

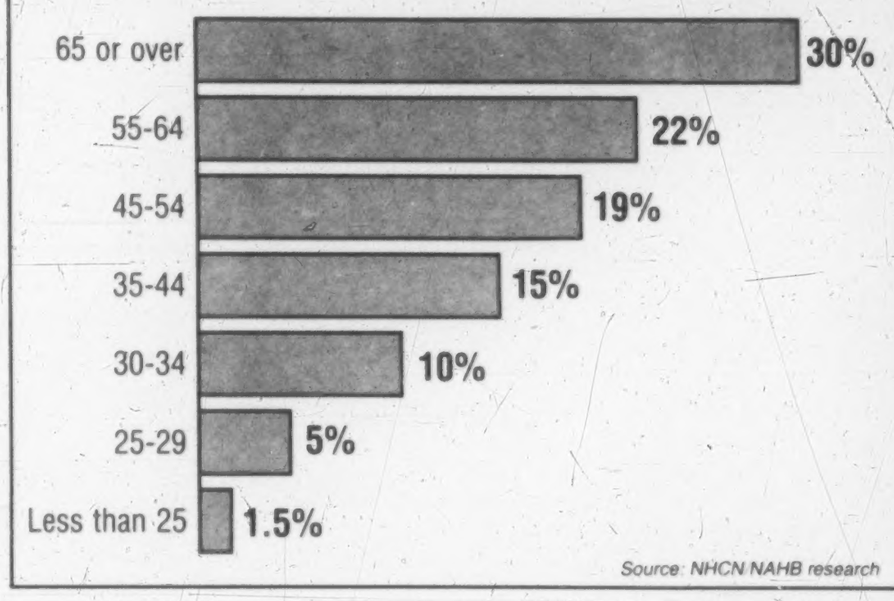
These homeowners will also be a lot smarter, too. Some 65% of the respondents replied they had had some college in their educational background, with a remarkable 39%, or 17.4 million households, having either a baccalaureate or advanced degree.

Of those who have completed college, the age of home prefer-

(Continued on page 16)

HOMEOWNER PROFILE

Age of the head of household



Source: NHCN NAHB research

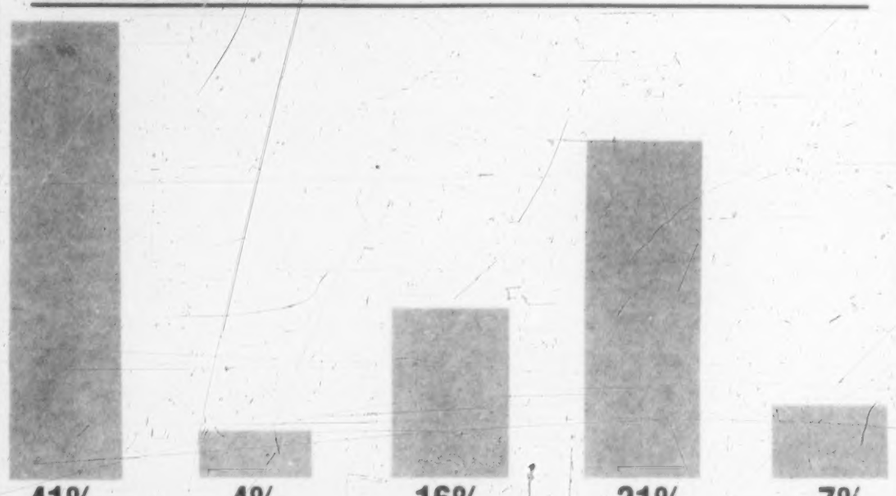
HOMEOWNER PROFILE

First-time buyers **38%**

30% Second-time buyers

HOMEOWNER PROFILE

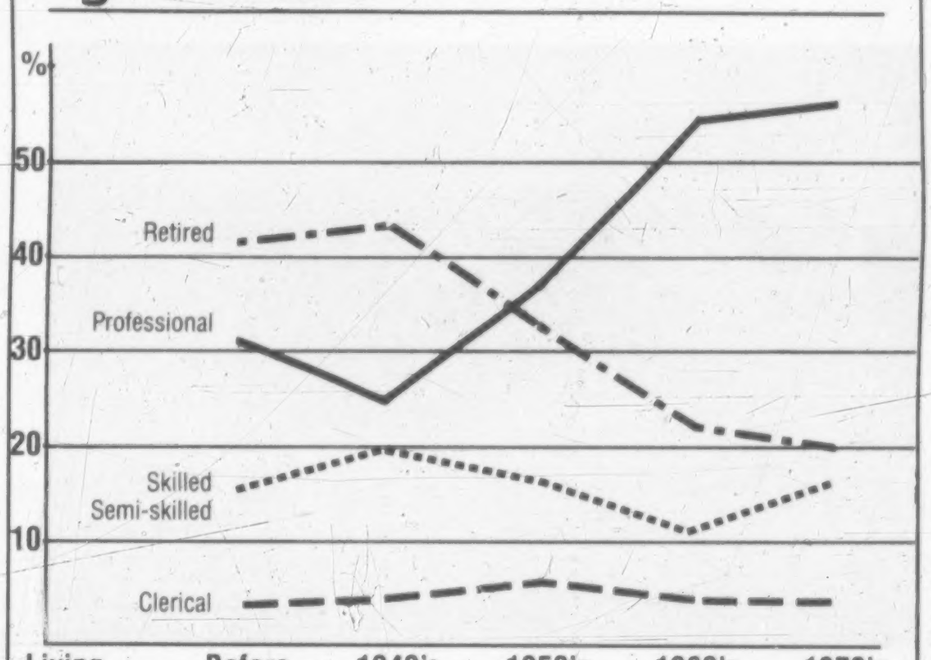
Occupation of head of household



Of the nation's 44.4 million single-family, detached, owner-occupied dwellings, 41% or 18.2 million are owned by professionals. As might be expected most of this group lives in newer units. But there is also a trend among professionals to live in America's oldest homes.

HOMEOWNER PROFILE

Occupational breakdown by age of home



HOMEOWNER PROFILE

Head of household

Pre-1940 homes

Median age **60.2 years** (18%-30 to 44)
Median income **$20,486**
Median sale price **$52,596**

1940's homes

Median age **61.5 years** (18%-30 to 44)
Median income **$20,800**
Median sale price **$52,737**

1950's homes

Median Age **57.3 years** (22.1%-30 to 44)
Median income **$24,768**
Median sale price **$52,737**

1960's homes

Median age **53.2 years** (22%-30 to 44)
Median income **$31,832**
Median sale price **$65,298**

1970's homes

Median age **45.8 years**
Median income **$32,074**
Median sale price **$78,195**

All respondents

Median age **55.6 years** (24%-30 to 44)
Median income **$27,980**
Median sale price **$62,118**

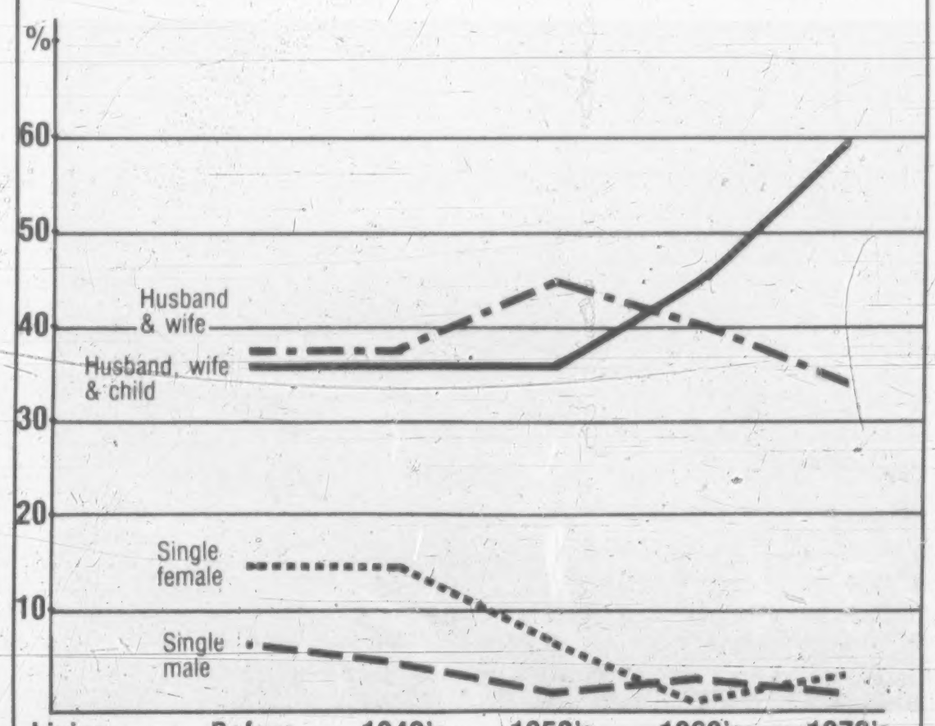
HOMEOWNER PROFILE

Type of household

The greatest portion of the nation's single-family, detached, owner-occupied homes, particularly the newer ones, are occupied by a basic family unit. However, 3.5 million homes, especially older ones, are owned by single women.

HOMEOWNER PROFILE

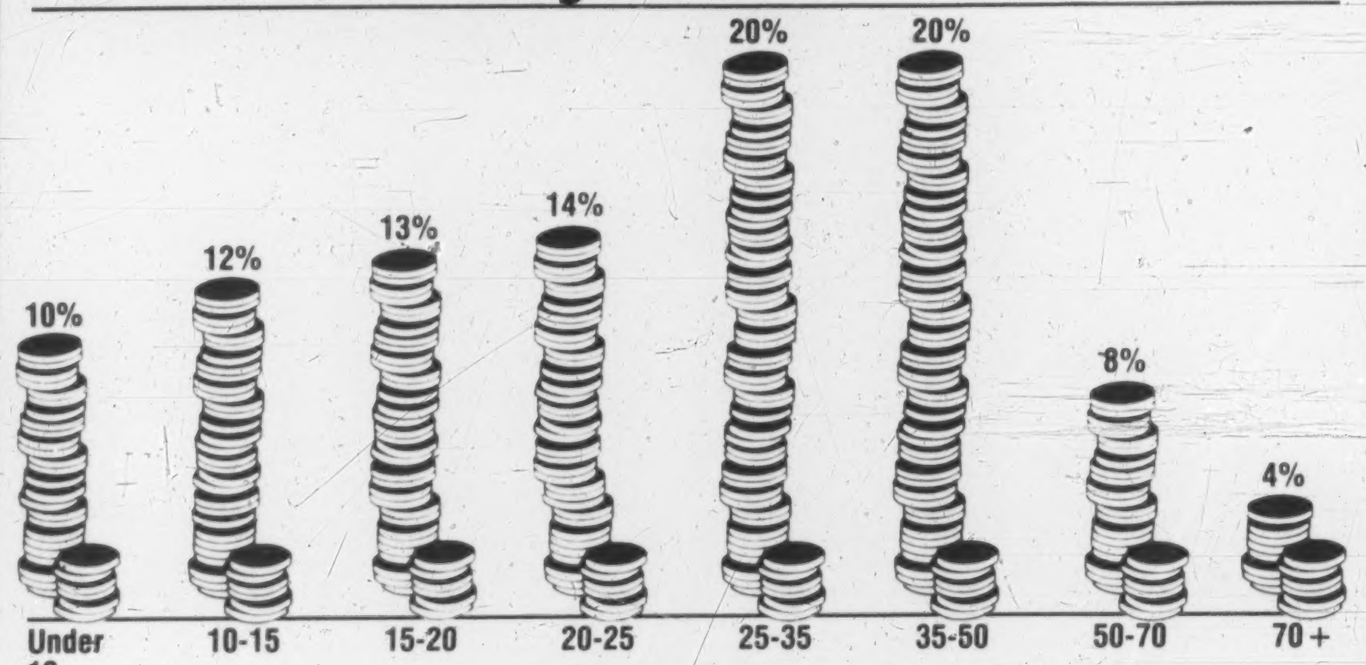
Type of household by age of home



DIY demographics: A special report

HOMEOWNER PROFILE

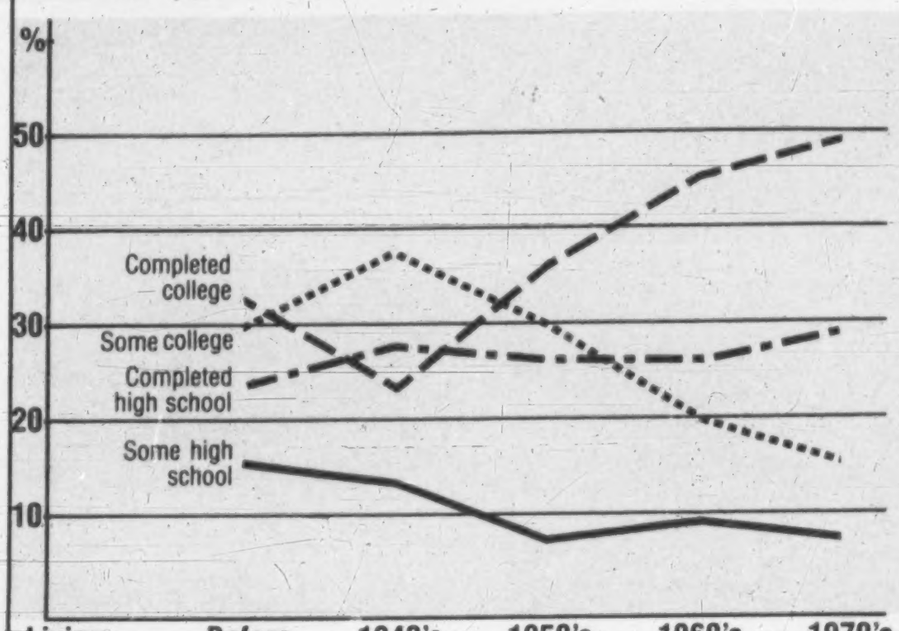
Combined family income



Source: NHCN/NAHB research

HOMEOWNER PROFILE

Educational breakout by age of home



Typical DIY

(Continued from page 15)

ence parallels closely that of professionals: they are 32% of all homeowners of pre-1940's dwellings, and 59% of the post-1970's group. However, it is important to note that those respondents with a high-school education make up the second largest per cent of pre-1940 homeowners (30%), and are the largest sector living in homes constructed during 1940-49 (37%). There is a fair amount of consistency among those households with some college: they represent 23% of those in pre-1940 homes; 27% of homes built in 1940-49; 26% of the 1950-69 period, and 29% of the post-1970 generation.

Age of home a key

(Continued from page 13)

most often completed alteration this year. Consumers spent $11.9 billion just on the top 10 most popular DIY projects.

Selection was the main reason 69% of those surveyed chose to spend their DIY dollars in home centers compared with 59% that chose general merchandise outlets for price and the 54% that pointed to discount operations for the same reason.

Advertising affected the buying decisions of three-out-of-four homeowners, with newspapers overwhelmingly the most influential medium. Direct mail was second and significantly lower in level of impact.

The survey questioned respondents about 132 different home improvement items divided into the following categories: appliances, heating/cooling, electrical, plumbing, energy conservation, security hardware, decoratives, kitchen, fireplace/stove, lawn/garden/outdoor power, tools and exterior.

Respondents were asked whether they bought or planned to buy a product and whether the installation was or will be DIY.

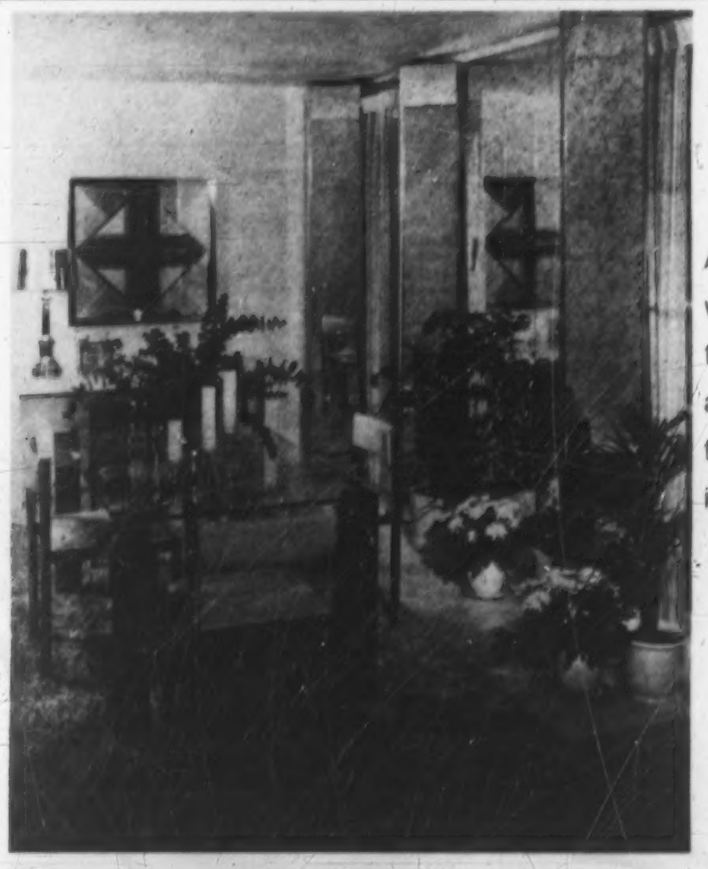
The results were cross tabulated according to the year the respondent's house was built, his geographic region, combined household income, the age of the head of household and the number of times he had been a homeowner.

Respondents were also asked about 20 varied home improvement projects: whether a job was completed in the past 12 months; by the homeowner or a contractor; the cost, and whether the job might be undertaken during the next year or two.

The top three products most likely to be purchased by homeowners during the next 12 months are seed and fertilizer, paint and fasteners, the same trio that led the lists of items bought this year.

They are followed, in order, by carpet, paint tools, drapes, gutters and downspouts, wallpaper, attic insulation and garden hose.

Evaluations of the products according to the five demographic factors used in the survey are included in this *NHCN* special section.



Antique mirror squares were applied to the wall and large folding window screens in this room.

MIRROR TILES...
New way to offer your customers professional decorating on a do-it-yourself budget!

Traditionally, a mirrored wall always conveys the impression of "professional" decorating. Now, with the recent introduction of mirror tiles, your do-it-yourself customers can achieve this same professional look on a handyman's budget.

As the room scene (pictured) illustrates, decorating with mirror tiles offers an almost unlimited variety of treatments as well as professional looking results. In this application, antique mirror tiles were applied floor-to-ceiling between the two windows. Then, as a further accent, folding window screens were also faced with gold vein antique mirrors.

If you aren't currently offering your customers this new decorating convenience, isn't it time to consider mirror tiles? If you are interested in manufacturing sources, various types of mirrors, and some innovative ideas, the National Association of Mirror Manufacturers can help. You will find it all in our free book—"Mirror Magic" (24 pages, full color, 86 photos). For a copy write Mirror Magic, Dept. MN:

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PEOPLE

every issue in

National Home Center News

DIY demographics: A special report

ADDITIONS & ALTERATIONS

Top 10 DIY projects completed in last 12 months

Project	Number of households who did themselves* (in thousands)	$ spent
1. Remodeled kitchen	2,264	$1,550
2. Finished basement/ rec room	1,954	1,460
3. Changed water heater	1,909	212
4. Changed roof	1,421	710
5. Changed heating system	1,066	673
6. Enclosed existing deck/patio/porch	799	567
7. Added patio	755	1,647
8. Finished/added den	755	1,363
9. Added deck	710	538
10. Added full bath	577	660

*represents detached, single-family homes Source: NHCN/NAHB research

ADDITIONS & ALTERATIONS

DIY project plans—Next 12 months

Project	Number of households who plan to do themselves* (in thousands)
1. Change roof	1,066
2. Cover/enclose existing deck/patio/porch	799
3. Add deck	710
4. Add patio	577
5. Remodel kitchen	488
6. Change water heater	444
7. Change/add air-conditioner	444
8. Finish basement/ rec room	399
9. Add porch/solar room	266
10. Change heating system	222

*represents detached, single-family homes

ADDITIONS & ALTERATIONS

DIY project plans—12-24 months

Project	Number of households who plan to do themselves* (in thousands)
1. Finish basement/ rec room	1,021
2. Remodel kitchen	977
3. Change roof	755
4. Add deck	533
5. Change heating system	488
6. Change/add air-conditioner	444
7. Add fireplace	444
8. Change siding	311
9. Cover/enclose existing deck/patio/porch	311
10. Add full bath	266

*represents detached, single-family homes

Roofing jobs have the greatest DIY potential

During the next 12 months changing a roof will be the most typical addition or alteration tackled by homeowners. Last year kitchen remodeling was most popular.

Covering or enclosing an existing deck, patio or porch or adding a deck or patio are also among the most likely alterations and additions this year.

These conclusions were derived from the *NHCN*/NAHB survey in which respondents were questioned about 20 different home alterations and additions: which projects were completed this year; whether the work was DIY; cost, and the projects planned for the next 12 and 24 months.

Of the 900 respondents, 2.4% plan to change a roof during the next 12 months. Since the survey is representative of 44.4 million single-family, detached, owner-occupied households, this figure is equal to 1.07 million consumers in potential market terms. Those who changed roofs last year reported spending an average of $710 per job.

The total consumer spending on the top 10 DIY additions and alterations completed last year was $11.94 billion.

During the next 12 months 1.8% of the respondents, or 800,000 homeowners, plan to cover or enclose an existing deck, patio or porch.

During the same period 710,000 homeowners will add a deck and 500,000 will remodel kitchens.

Over a longer period the same projects remain popular, although the priority with which they are treated changes.

Selection makes home centers most homeowners' first choice

NATIONAL REPORT—Selection of merchandise is the primary reason single-family homeowners shop home centers over discount, general merchandise or specialty outlets for home improvement products, according to the *NHCN*/NAHB market study.

When asked "where do you shop for home improvement/alteration goods," an overwhelming 70% of the 900 respondents to an *NHCN*/NAHB market survey said they went to a home center. The closest rival was general merchandise stores, with a 59% response.

The reasons for this gap were clearly defined: 64% of those going to home centers primarily said they did so for that store's product selection, with price (47%) and convenience (45%) following suit. Eighty-nine per cent of those who shopped discount stores primarily, and 56% of those going to general merchandise outlets, saw price as the determining element in their shopping decision.

While 75% of those living in homes constructed in the 1960's and 77% of those in post-1970 homes prefer to shop a home center, that still leaves a sizable number of homes built before 1960 whose homeowners, as the survey indicates, feel in-store service to be an important element in their shopping patterns.

For instance, of those respondents living in homes built before 1940, 42% chose service as the main reason for shopping a home improvement store. Demographic information shows that while 41% of all respondents residing in this home-type are retired, a full 31% are inexperienced or young professionals seeking how-to instruction and product knowledge as they renovate their domiciles.

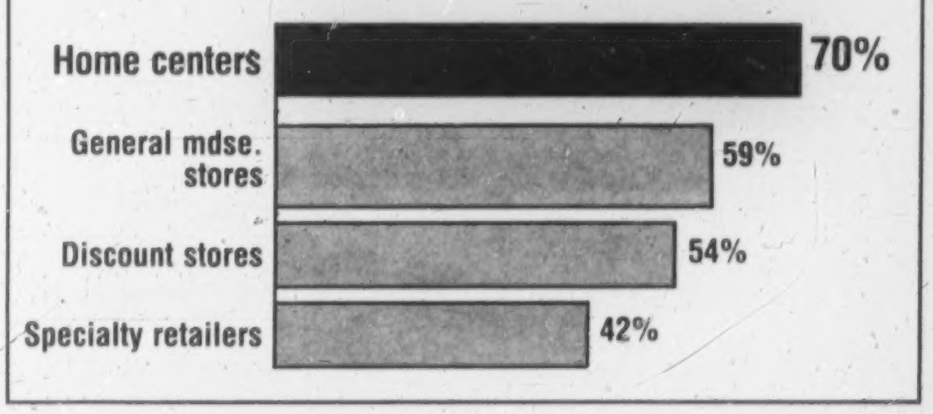
Service as a shopping factor diminishes among those respondents living in homes constructed from 1940 to 1969 (many of whom are skilled and semiskilled workers), but it picks up again with 31% of those living in post-1970 homes claiming service to be why they shop one store over another. In this home-type, professionals comprise 54% of the total.

However, the survey notes that only 31% of those respondents who shopped a home center primarily thought service to

(Continued on page 47)

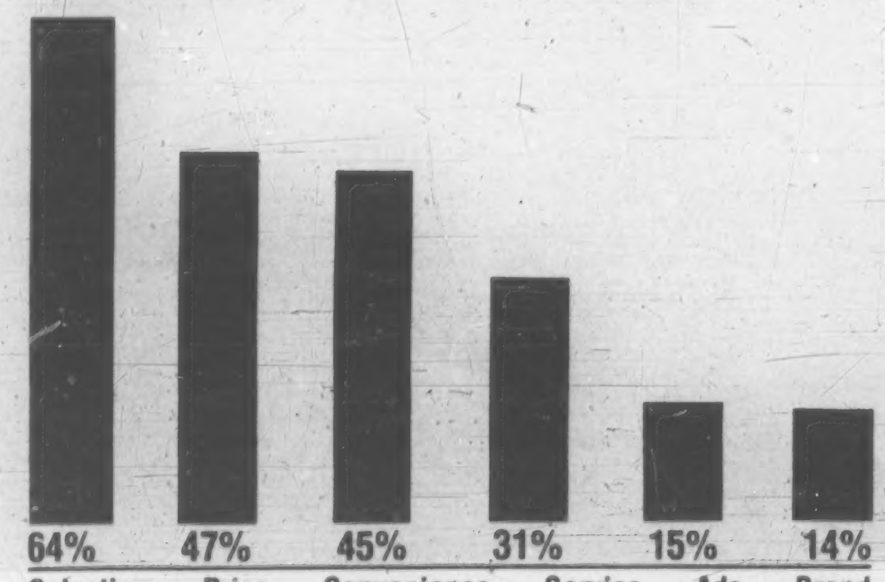
HOMEOWNER PROFILE

Where do homeowners shop for home improvement products?



HOMEOWNER PROFILE

Why do they shop at home centers?

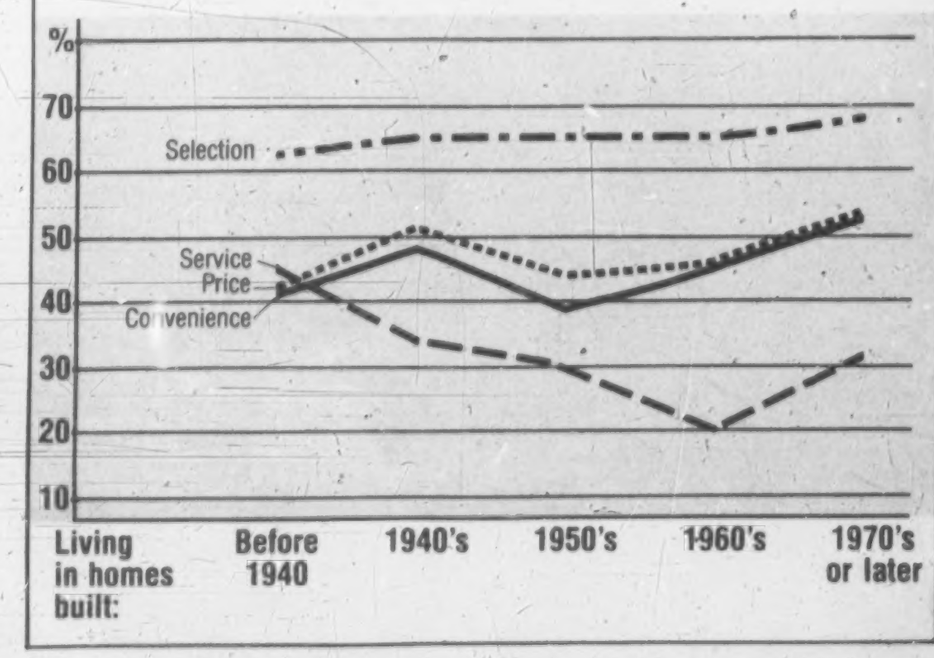


Selection outranks price and service . . .

Source: NHCN/NAHB research

HOMEOWNER PROFILE

. . . but service is more important to owners of older homes



DIY activity: A special report

DIY PRODUCT ANALYSIS

Energy conservation

Product	Bought	Will buy	Did install self	Will install self
Adhesives, caulk sealants	22.5%	6.6%	65%	72%
Weather stripping	19.9	5.3	63	70
Attic insulation	19.4	7.9	36	59
Storm doors	12.0	4.8	34	54
Storm windows	11.8	3.5	30	48
Water heater wrap	11.1	5.1	60	60
Pipe insulation	9.6	2.8	56	57
Exterior doors	9.0	3.8	41	61
Wall insulation	8.5	4.2	34	47
Thermostat	8.4	2.0	32	75
Floor insulation	4.8	1.1	41	44
Interior storm windows	4.4	3.3	39	44
Interior doors	3.7	1.5	40	75
Solar sun film	1.7	0.9	71	57
Solar hot water heater	0.6	1.1	60	44

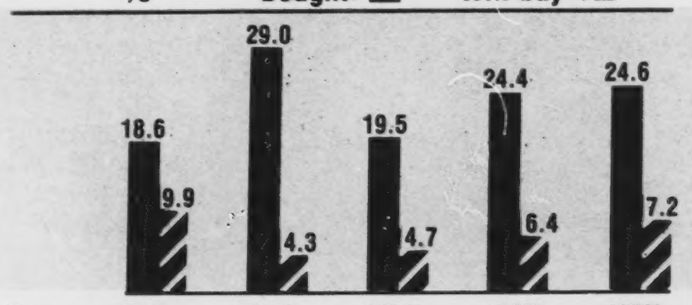
Source: NHCN/NAHB research

Reading the charts

Percentages in DIY product analysis charts are projectable to the nation's 44.4 million single-family, detached, owner-occupied dwellings. Each percentage point represents 444,000 households. In the column headings, bought refers to products purchased in the past 12 months; will buy to purchases planned for the next 12 months.

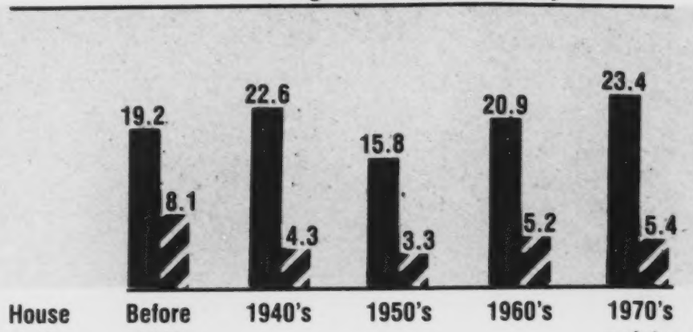
DIY PRODUCT ANALYSIS

Adhesives–Caulks–Sealants



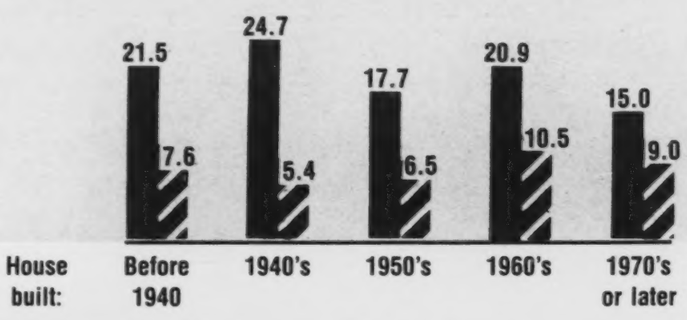
DIY PRODUCT ANALYSIS

Weather stripping



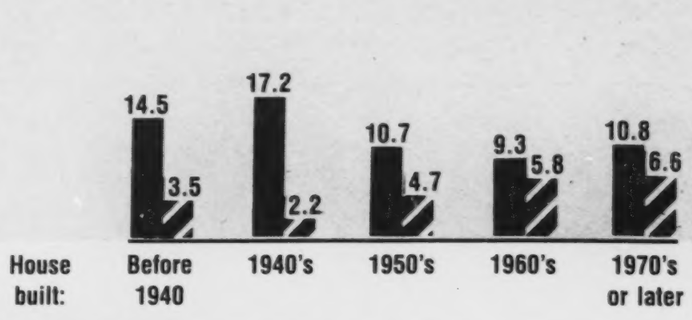
DIY PRODUCT ANALYSIS

Attic Insulation



DIY PRODUCT ANALYSIS

Storm Doors



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Energy use still a major DIY concern

According to *NHCN/* NAHB's in-depth study of homeowner DIY activity, seven out of 10 respondents plan to improve the energy effectiveness of their homes.

Dissatisfaction with home insulation is partly responsible for this attitude. One-quarter of survey respondents who own homes built during the 1970's said they were unhappy with the energy effectiveness of their insulation and planned to add more.

That figure rises for homes built prior to 1970, to one-third, with 29% of owners of homes built before 1940 unsatisfied with the effectiveness of their insulation.

To improve the energy-efficiency of their home, 70% of respondents indicated they would add some form of insulation. However, when pressed for actual buying intentions, 7.9% stated they will buy attic insulation over the next year, with 58.5% of that group planning to install it themselves; 19.8% of the respondents had purchased attic insulation in the last year.

A distant second on the energy improvement list is changing windows/adding storm windows, with 27% of respondents planning these improvements.

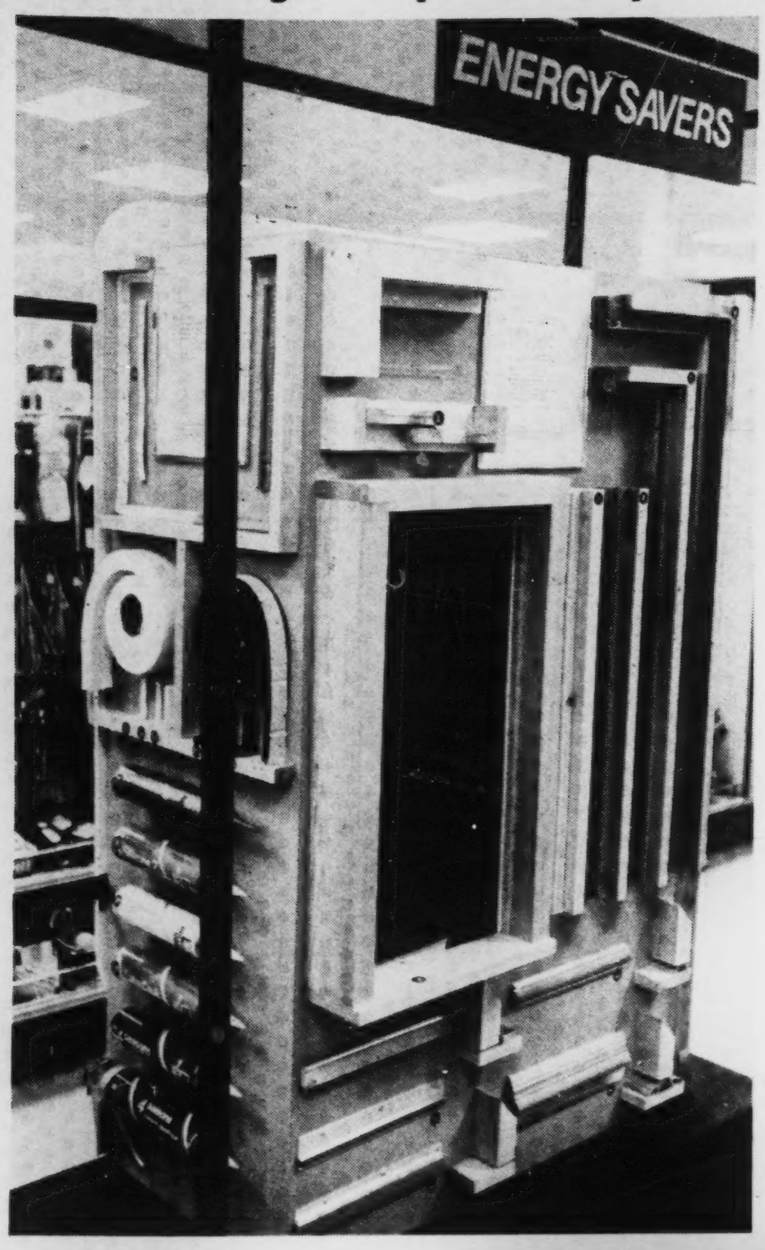
The study indicated that storm windows were installed in 11.8% of all detached, single-family households last year, particularly those built prior to 1950; 29.9% of those respondents installed the windows themselves, while 48.3% of those planning to buy storm windows in the next year will install them on their own.

Storm doors were cited by 18% of respondents as a likely energy improvement; 12% actually bought the product during the past year and 4.8% plan to buy it. Of those groups, 33.7% installed the door themselves and 53.8% of the prospective buyers plan to do so.

Adhesives, caulks and sealants as a group were the most popular energy conservation products, with 22.5% of respondents having bought one of the products, although only 6.6%

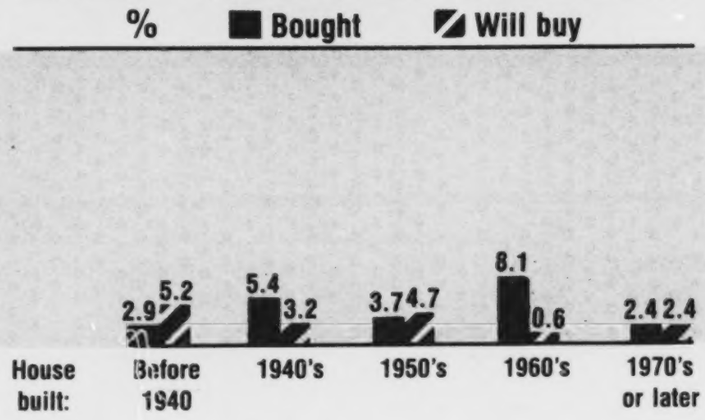
(Continued on page 21)

DIY activity: A special report



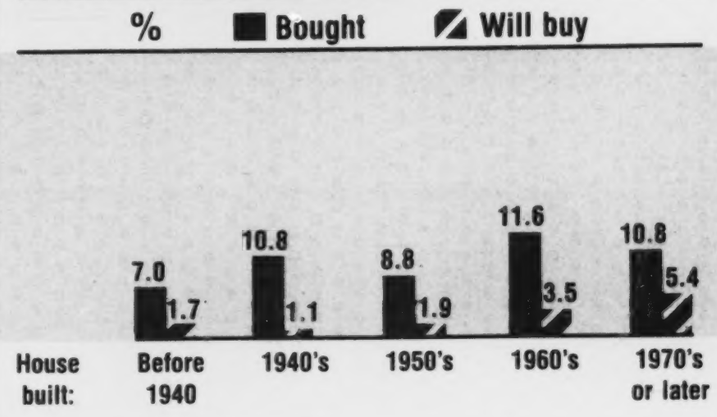
DIY PRODUCT ANALYSIS

Storm Windows—interior



DIY PRODUCT ANALYSIS

Pipe Insulation



DIY PRODUCT ANALYSIS

Thermostats

DIY PRODUCT ANALYSIS

Wall Insulation

Energy use

(Continued from page 18)

indicated they would buy one in the next 12 months. One-quarter of those residing in homes built after 1960 bought adhesives, caulks or sealants in the past year, although the highest incidence of purchases (29%) was among those in homes built during the 1940's.

Weather stripping was purchased by 19.9% of respondents during the past year with an additional 5.4% indicating they will purchase the product in the next 12 months. Two-thirds of actual and potential weather stripping customers install the product themselves. The highest concentration (8.1%) of future buyers are in homes built before 1940.

Pipe insulation was purchased by 9.6% of the respondents, primarily for homes built after 1960. An additional 2.8% indicated they would buy pipe insulation in the next 12 months, with about 57% planning to install it themselves.

Water heater wrap was bought by 11.1% of respondents and installed primarily in homes built after 1940. An additional 5% plan to purchase the product, particularly those in 1970's-built homes, and 60% will install it themselves.

Wall insulation was installed primarily in homes built before 1940 and during the 1950's and 1960's; with 8.5% of respondents having purchased wall insulation during the past year and an additional 4.2% planning to do so. Among purchasers of wall insulation, 34.3% installed it themselves.

Thermostats appear to be most popular with owners of homes built before 1960. The device was purchased by 8.4% of respondents during the past year.

HOMEOWNER PROFILE

Where do you make energy improvements

Add insulation	70%
Change windows	27%
Add storm windows	27%
Add storm doors	18%
Add heat pump	11%

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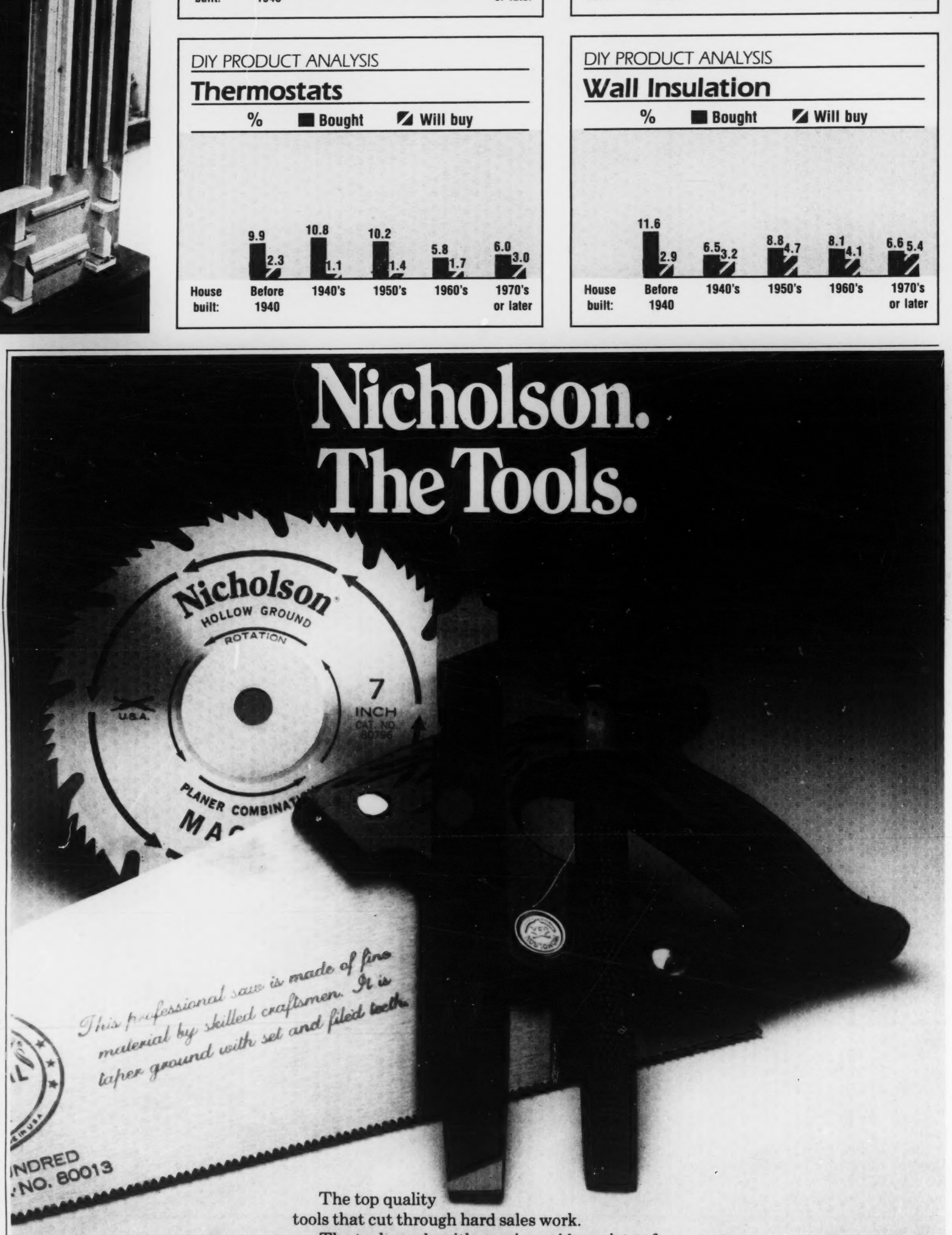

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DIY activity: A special report

DIY PRODUCT ANALYSIS

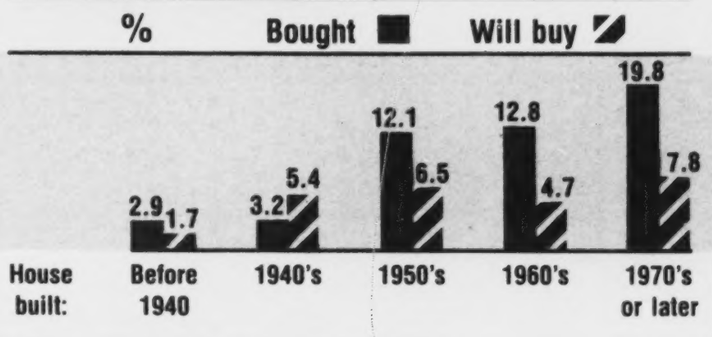
Heating and cooling

Product	Bought	Will buy	Did install self	Will install self
Gas water heater	12.3%	2.0%	28%	56%
Ceiling fan	10.9	5.3	58	51
Furnace	8.4	0.7	12	33
Central air-conditioner	7.3	1.3	12	18
Electric heater	7.3	0.7	22	—
Kerosene heater	5.9	2.1	33	41
Oscillating fan	5.7	1.3	23	46
Electric water heater	5.4	0.4	21	33
Room air-conditioner	5.0	1.7	44	43
Humidifier/dehumidifier:				
Portable	4.9	1.0	33	38
Central unit	4.3	0.7	23	17
Stove/fireplace	3.3	1.3	41	36
Quartz heater	3.2	0.5	31	50
Heat pump	1.5	0.5	—	—

Source: NHCN/NAHB research

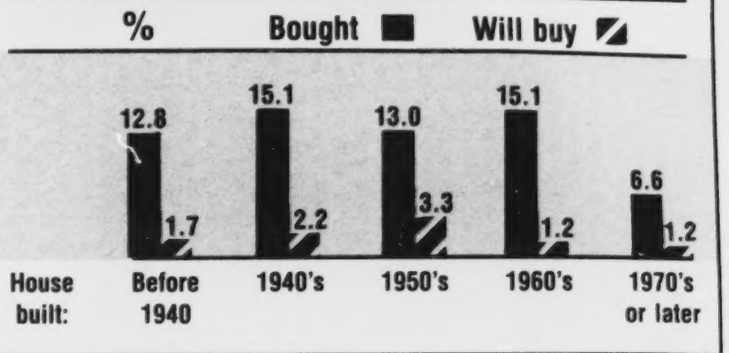
DIY PRODUCT ANALYSIS

Ceiling Fans



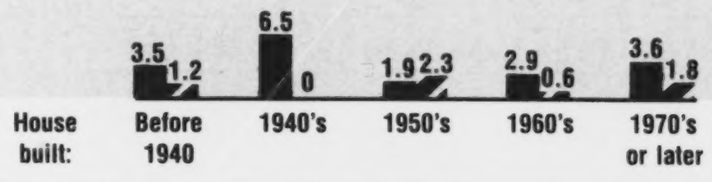
DIY PRODUCT ANALYSIS

Gas Water Heater



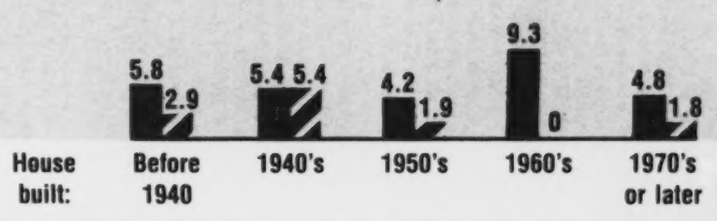
DIY PRODUCT ANALYSIS

Fireplace/stoves



DIY PRODUCT ANALYSIS

Kerosene Heaters



Ceiling fans a favorite in new homes

Ceiling fans seem clearly to be the favorite with new home owners according to the findings of *NHCN*/NAHB's survey of single-family homeowners.

Overall, 10.9%, or roughly 4.88 million single-family, detached, owner-occupied households bought a ceiling fan in the past 12 months. However, a closer look reveals that 19.8% of the homeowners living in homes built in the 1970's bought a ceiling fan, compared with only 12.8% and 12.1% of those living in homes built in the 1960's and 1950's, respectively, and a mere 2.9% of those living in homes built before 1940.

Part of the high incidence of fan purchases in newer homes is due to the fact that 45% of the homes built during the 1960's and 1970's were constructed in the South, where overall demand for ceiling fans is usually higher. Interestingly, while 1970's-built homes again rank first in planned purchases over the next 12 months, with 7.8% of the owners planning to buy a ceiling fan, owners of homes built in the 1950's, followed by those in the 1940's expressed the next highest degree of interest. More than half of the 5.3% who plan to purchase fans say they will install the items themselves; that compares to 58% who actually did install the fans on their own last year.

Meanwhile, among other heating and cooling products, changing a water heater was cited as the third most popular addition/alteration project tackled by DIYers in the past year; 4.3% of the respondents completed the project themselves and spent an average of $212 for the unit and accessories.

Gas water heaters bought by homeowners in the past 12 months were installed primarily in homes built before 1970. The highest proportion of potential gas water heater customers over the next year are in homes built during the 1950's, the study indicated.

Generally, respondents planning to purchase a gas water heater during the next 12 months are clustered in the $25,000-$35,000 income range.

Electric water heaters bought over the past year were primarily installed in newer homes built after 1960. Less than 0.5% of the respondents indicated they will buy an elec-

(Continued on page 23)

DIY activity: A special report

DIY PRODUCT ANALYSIS

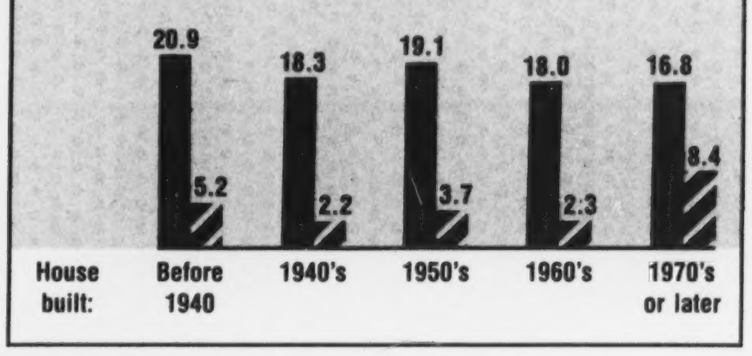
Electricals

Source: NHCN/NAHB research

Product	Bought	Will buy	Did install self	Will install self
Wiring, wall outlets	18.7%	4.5%	49%	62%
Fixtures	14.9	3.5	50	59
Phone jacks	14.0	2.2	34	39
Dimmer switch	12.8	2.4	63	75
Outdoor lighting	12.5	3.7	46	53
Switch plates	16.8	4.0	57	67

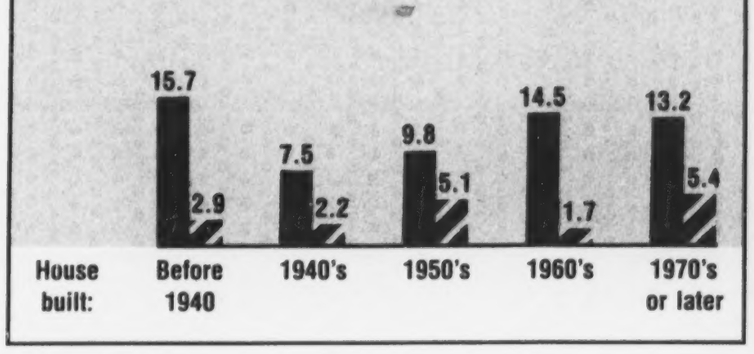
DIY PRODUCT ANALYSIS

Wiring & Outlets



DIY PRODUCT ANALYSIS

Outdoor lighting



Prewar homes lead electrical market

NATIONAL REPORT—Basic electrical items tend to be a staple in old and new homes, although new wiring and wall outlets tended to go into older homes, according to the *NHCN*/NAHB homeowner survey.

Close to one-fifth of the households in the survey bought wiring and wall outlets in the past year with the largest percentage going into homes built before 1940; 4.5% of all respondents plan to purchase these products in the coming year. The highest proportion of these projected purchases will be among those living in homes built in the 1970's (8.4%).

Outdoor lighting products were bought most often among occupants of prewar homes (15.7%) in the past year, followed by those living in homes built in the 1960's (14.5%) and the 1970's (13.2%). Owners of homes constructed after 1970 will buy more outdoor lighting in the next year than owners of older homes; 5.4% of those living in 1970's-built homes plan purchases, compared to 3.7% for all homes.

Households in the South reported a higher degree of outdoor lighting purchases than the West and North Central States.

Dimmer switches, on the other hand, are most popular with residents of modern homes: 16.8% of the respondents living in homes built in the 1970's bought dimmers compared to 12.1% for 1950's homes, 9.7% for 1940's homes and 11% for prewar homes.

Dimmer switches are clearly a DIY product: 62.9% of the installations were done by homeowners, and three-quarters of those planning to purchase dimmers in the next 12 months will install the item themselves.

Similarly more than half the lighting fixtures purchased last year were installed by their owners; and 59% of those planning purchases in the next year will install the fixtures themselves.

The age of the house seemed to have little influence on purchases of lighting fixtures. A total of 14.9% of households bought fixtures in the past year. However owners of homes built in the 1970's are clearly the leading market for sales in the next year (5.4% compared to 3.5% overall). This, in part, reflects the fact that newer homes are built with fewer lighting fixtures.

Fourteen per cent of the respondents to this survey purchased telephone jacks in the past year. Telephone jacks were purchased more often by homes in the South and homes built before 1960 than older homes. Only about a third of the installations were completed by the homeowners.

Sales of switch plates were concentrated in homes built in the 1940's and 1950's. The survey showed 19.4% of the homes built in the 1940's bought switch plates compared to 16.8% overall. Two-thirds of the switch plate purchases over the last 12 months were DIY installed.

Ceiling fans

(Continued from page 22)

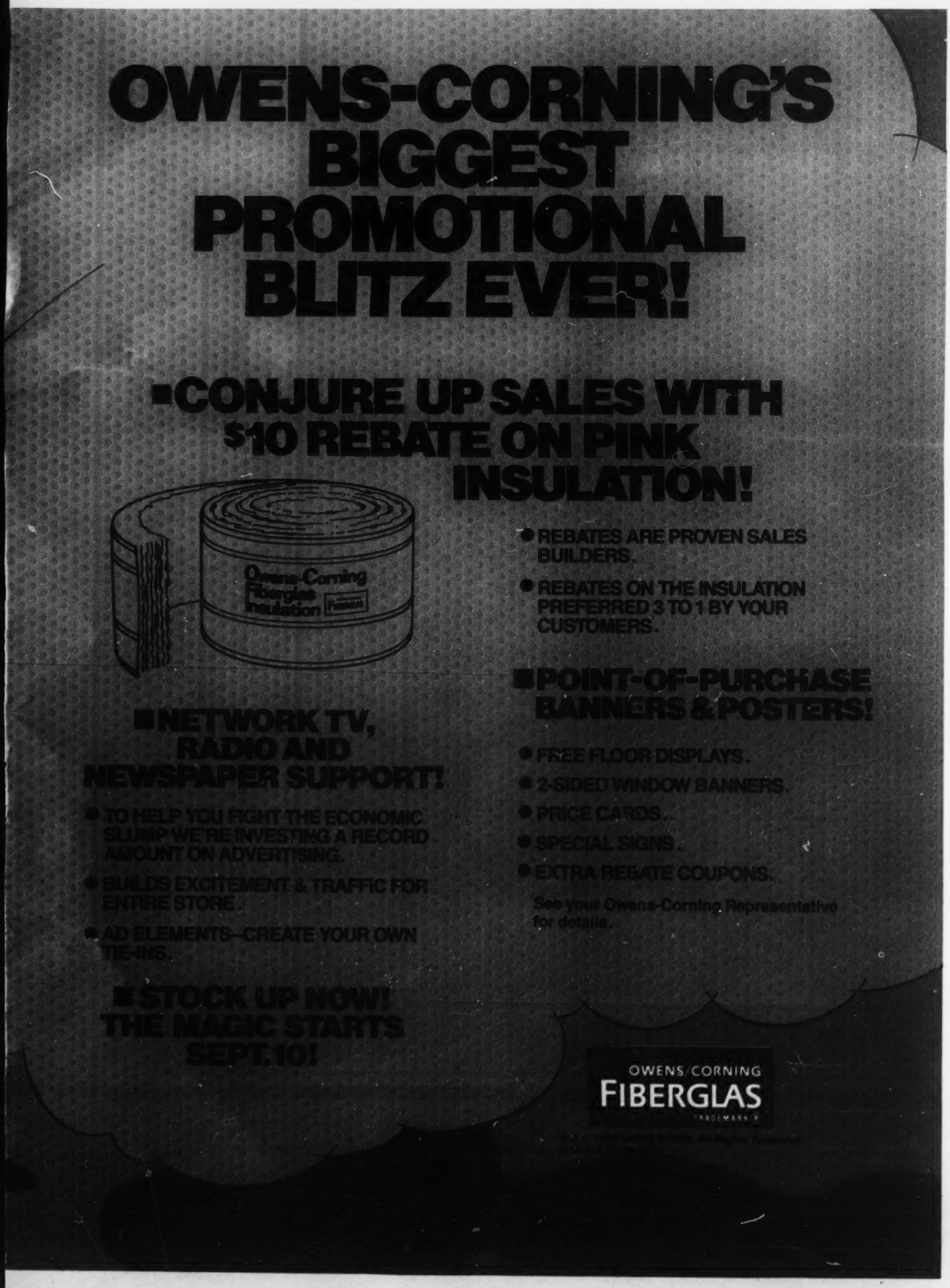
tric water heater during the next year, compared to 2% who plan to buy a gas water heater.

Heat pumps, which were bought by 1.5% of responding households, were installed primarily in homes built after 1960.

Again, only 0.5% of the respondents indicated they will buy a heat pump in the next 12 months.

Among portable heaters, kerosene models will show the greatest growth over the next 12 months, with 2.1% of the respondents indicating they will buy a kerosene heater during that period, compared to 0.7% for electric heaters and only 0.5% for quartz heaters. For owners of homes built in the 1960's, 9.3% bought a kerosene heater last year, compared to only 4.8% in homes built after 1970.

Owners of homes built during the 1940's appear to be the most likely market for kerosene heaters, according to survey results.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DIY activity: A special report

DIY PRODUCT ANALYSIS

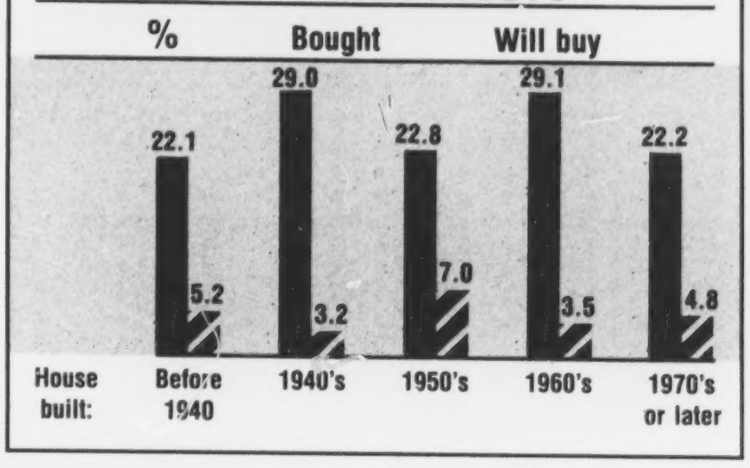
Security hardware

Product	Bought	Will buy	Did install self	Will install self
Smoke detectors	24.5%	5.0%	56%	68%
Door locks	19.3	5.5	48	64
Timers	11.6	1.5	60	75
Fire extinguishers	10.0	2.3	56	79
Alarm systems	5.1	2.1	31	82
Burglar bars	2.3	0.6	16	100
Safe	1.8	0.9	53	71

Source: NHCN/NAHB research

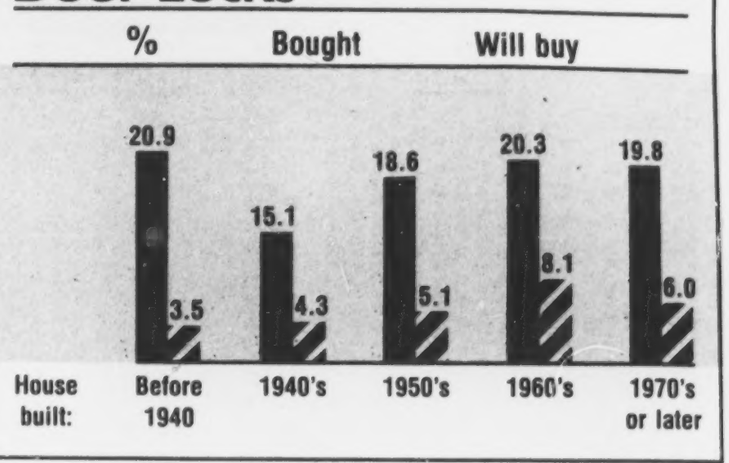
DIY PRODUCT ANALYSIS

Fire/Smoke detectors



DIY PRODUCT ANALYSIS

Door Locks



Older homes dominate door lock market

Retailers should anticipate strong sales of door locks and smoke detectors over the next 12 months.

According to findings from the *NHCN*/NAHB homeowner survey, smoke detectors will be purchased for older homes by a relatively older consumer, while door locks, which could become the No. 1 selling security product in home centers next year, seem to appeal to those homeowners living in newer homes.

These facts on security hardware were culled from the *NHCN*/NAHB consumer survey conducted last year among 8,000 single-family detached, owner-occupied homeowners.

Of the 900 respondents answering the survey, 24.5%, or an estimated 10.9 million of the 44.4 million households of this kind, purchased a smoke detector over the last 12 months, with 55.7% of these installing the item themselves. Some distinguishing footnotes about these purchases include the fact that homeowners living in homes built in the 1940's and 1960's made up the two largest percentages of those buying the product, and of those respondents 65 or older, 30.9% bought the product.

However, it appears that homeowners living in homes built in the 1950's will be the most likely purchasers of smoke detectors over the next 12 months; 7% of those 35-44 years old claiming they will buy the product within the next year, the highest response rate in any single age group.

Door locks are another story. According to the survey, 20.9% of the respondents living in pre-1940 homes bought locks in 1981, compared with 15.1% living in homes built during the 1940's. Another 20.3% of those in homes built in the 1960's and 19.8% in dwellings constructed after 1970 made door lock purchases. New home owners, however, will be the primary buyers in the coming year: 8.1% and 6% respectively said they would buy the product for their homes built in the 60's and 70's, higher than any other group.

High volume eyed

Door locks showed particularly strong sales strength in the East South Central and Pacific regions of the country last year, with the highest percentage of DIY activity coming from those living in the West North Central area, where 000-$49,999 comprised the highest percentage of those who bought these products over the last year.

Respondents living in homes built in the 1940's gave the highest response rate (12.7%) when asked whether they bought a fire extinguisher last year. And in the alarm systems category, it appears from the survey's census data that respondents in the East- and West-South Central regions made up the strongest consumer base.

70.6% of those who bought door locks installed the items themselves. An estimated total of 8.56 million households purchased door locks over the past 12 months, with an additional 2.4 million projected to buy the product over the next year.

It is also interesting to note that, of those respondents 65 and over, 22.9% said they bought a door lock last year, while the highest percentage of "will buy" comes from the 45-54 year old group, with 70% indicating they would also install the product themselves.

Perhaps the most surprising finding in the survey shows waning consumer interest in light timers. While 11.6% of responding households purchased these products over the last 12 months, only 1.5% of all the sur-

(Continued on page 26)

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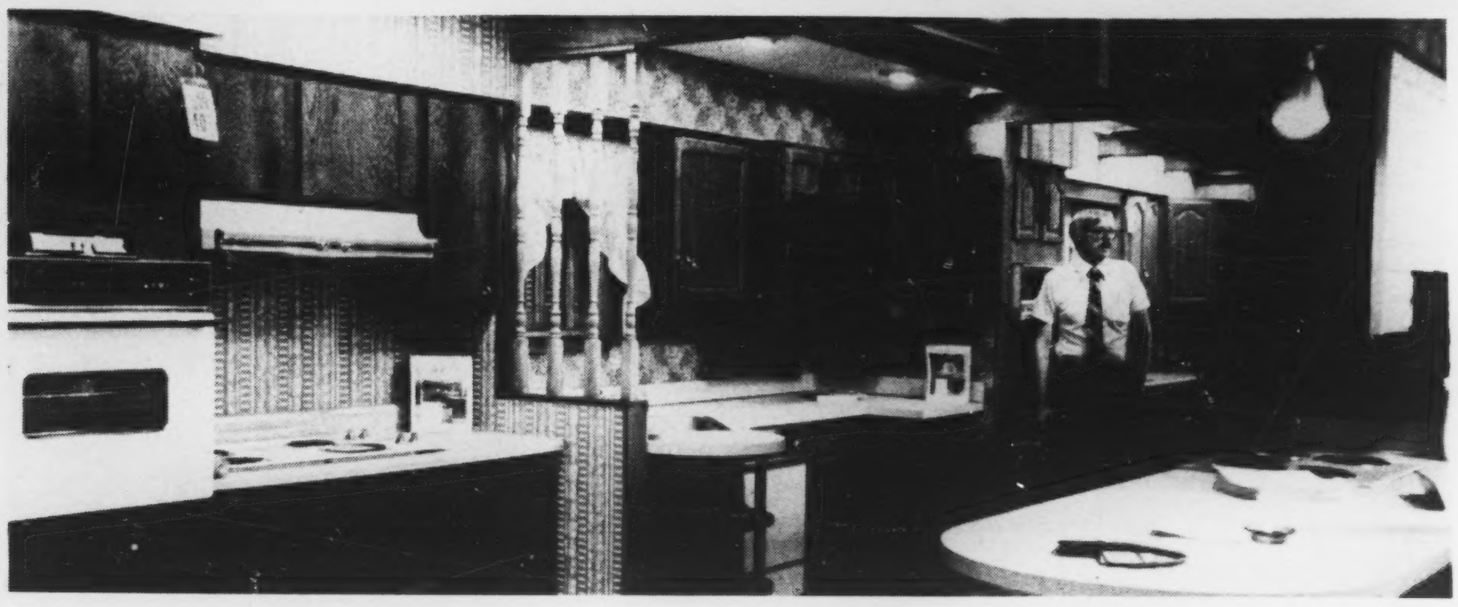
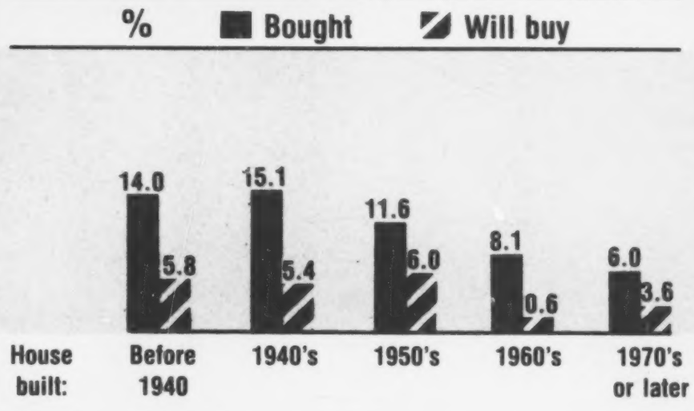
FOR SURE

DIY activity: A special report



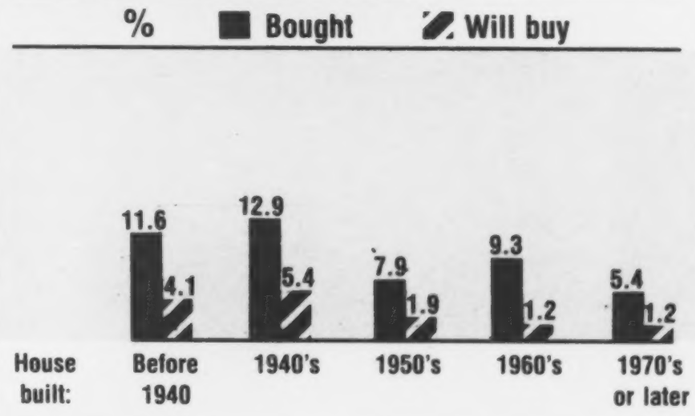
DIY PRODUCT ANALYSIS

Counter Tops



DIY PRODUCT ANALYSIS

Kitchen Cabinets



DIY PRODUCT ANALYSIS

Kitchen

Source: NHCN/NAHB research

Product	Bought	Will buy	Did install self	Will install self
Counter tops	10.6%	4.3%	22%	49%
Range hood/exhaust fans	9.2	2.6	31	67
Kitchen cabinets	9.0	2.4	15	40
Garbage disposals	10.3	2.4	41	40

Kitchen remodeling tops DIY project list

Kitchen remodeling was cited as the No. 1 DIY alteration project in *NHCN*/NAHB's homeowner survey with 5.1% of the sample, equivalent to 2.26 million households, completing the job on their own over the past 12 months.

DIYers, on average, spent $1,550 on the project which, projected nationally, totaled $3.5 billion.

Counter tops were the most popular kitchen product purchased, with 10.6% of the respondents having bought one in the past year and an additional 4.3% expecting to do so in the next 12 months.

Counter tops were more often installed in older homes, specifically in 15.1% of the homes built during the 1940's, and in 14% of the homes built before 1940 compared to only 6% of the homes built in the 1970's.

Range hoods and exhaust fans were purchased by 9.2% of respondents, with an additional 2.4% indicating that they would buy one or the other product in the next 12 months. Of those who purchased the products, 30.7% stated that they installed one of the units themselves, while more than twice that figure planned to do so among those planning a future purchase.

Most hoods or fans were purchased by owners of homes built before 1960.

Kitchen cabinets meanwhile were purchased by approximately 4,000,000 single-family homeowners last year, or 9% of the respondents. Only 14.9% indicated they installed the cabinets themselves, however.

Most cabinet purchases went into older homes, reflecting greater remodeling work: 12.9% of the owners of homes built in the 1940's, for example, and 11.6% of homes built before 1940 bought cabinets, compared to 6.4% for 1970's-built homes.

Most prospective purchasers of cabinets live in homes built before 1950, with 5.4% of 1940's-home owners planning purchases compared to 1.2% for homes built in the 1960's and 1970's, and 2.4% for all homes.

Garbage disposals continue to generate strong sales activity with 10.3% of the survey's respondents reporting they had purchased the item in the past year, and 2.4% planning to buy in the coming year. About 40% of those who bought a garbage disposal installed it themselves.

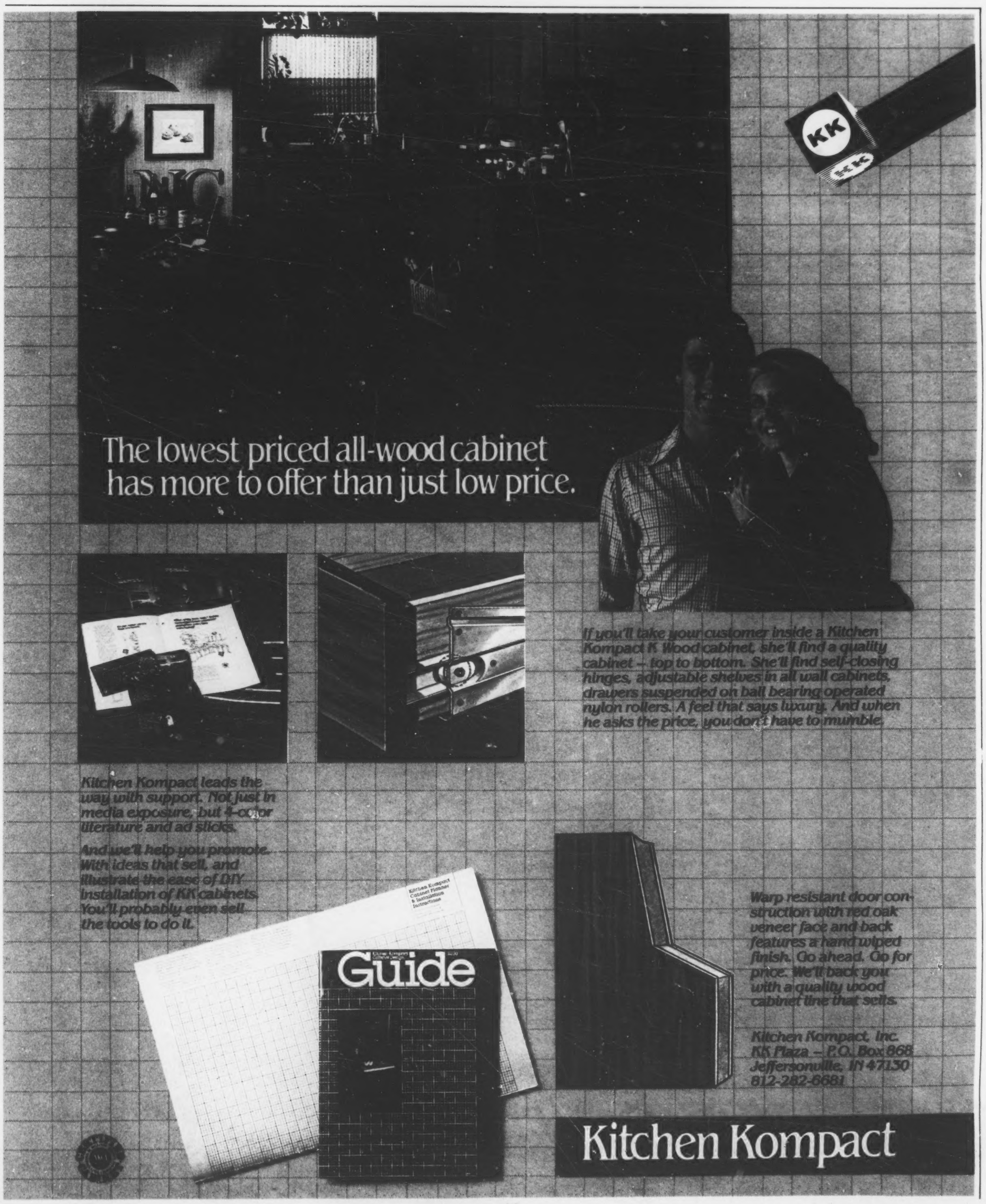
Door locks

(Continued from page 24)

vey's respondents will be buying a timer through the next 12 months. The highest response rate came from homeowners living in 1950-59 era houses, of which 14% bought a timer last year. But within this home-type, only 1.9% will purchase the product next year, this representing the greatest response rate among all home-type groups. The sharp drop in interest is, in part, due to the tendency of homeowners to plan conservatively in the current economy.

There was also relatively little interest in either burglar bars or safes, with only 0.6% and 0.9% of the respondents planning purchases, respectively.

There was noticeably more interest in alarm systems and fire extinguishers, although these still make up a small part of total security volume.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DIY activity: A special report

DIY PRODUCT ANALYSIS

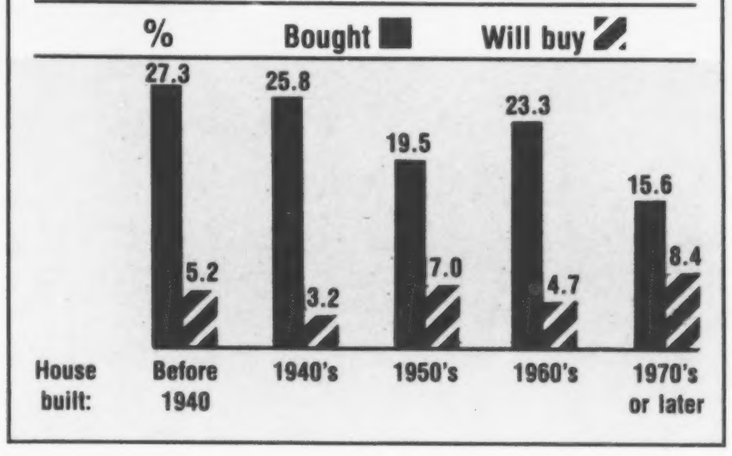
Plumbing

Source: NHCN/NAHB research

Product	Bought	Will buy	Did install self	Will install self
Faucets	21.9%	6.0%	50%	53%
Toilet seat	21.4	5.6	53	70
Massage showerhead	10.6	2.3	63	58
Sink	9.9	3.1	32	48
Toilet	9.2	2.4	37	35
Mirror	9.0	2.7	46	68
Metal pipe	8.7	2.1	44	65
Plastic pipe	8.4	2.8	49	65
Water saver showerhead	8.3	2.9	59	46
Vanity	7.7	2.7	46	64
Shower/tub kit	5.9	3.2	38	69
Shower door	5.0	2.3	46	42
Water purifier	2.2	0.6	56	20

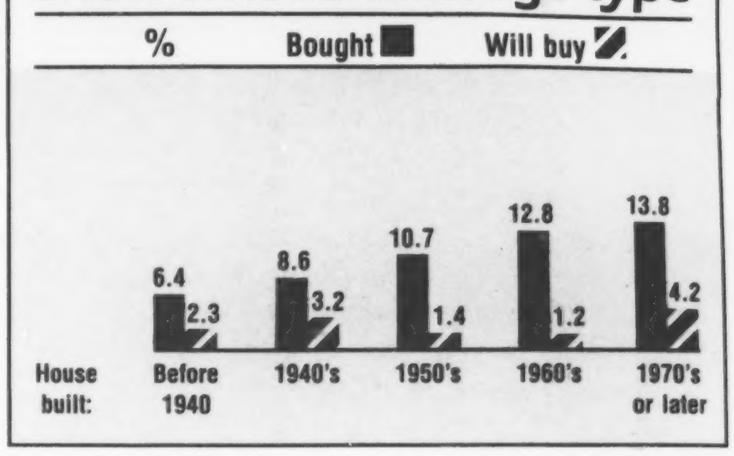
DIY PRODUCT ANALYSIS

Faucets



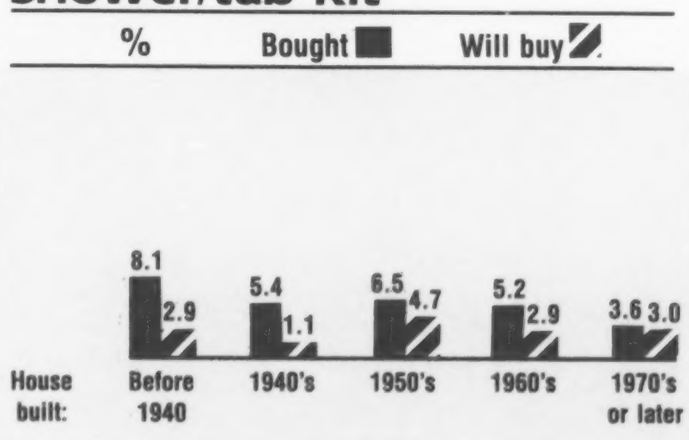
DIY PRODUCT ANALYSIS

Showerhead-Massage type



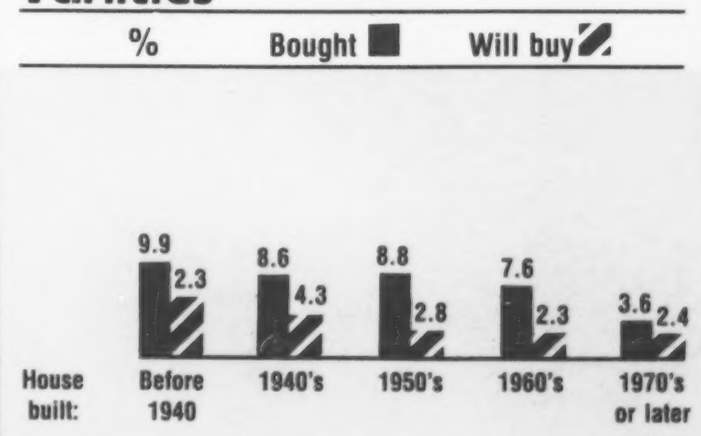
DIY PRODUCT ANALYSIS

Shower/tub kit



DIY PRODUCT ANALYSIS

Vanities



Faucets top list for plumbing DIYers

While the traditional correlation between the age of a house and the need to install new plumbing still exists, a number of plumbing products seem to buck tradition.

Residents of pre-1950 dwellings will continue to make up the bulk of the consumer mix for such fare as shower/tub kits, plastic and metal pipe and vanities. However, some of the best-selling plumbing items in 1981—faucets and massage showerheads—are now generating the greatest interest among consumers living in post-1970 homes.

According to the nationwide *NHCN*/NAHB consumer survey, 21.9% of the respondents (equal to about 9.72 million single-family, detached homes) bought faucets in 1981. Homeowners living in dwellings built before 1940 showed the greatest buying percentage, 27.3%.

However, of the 6%, or 2.66 million households, who said they would buy a faucet over the next 12 months, the greatest activity is projected to be in homes constructed after 1970, with 8.4% of those home-type respondents saying they will purchase a faucet in 1982.

Of those contemplating a faucet purchase, the peak buying group had an income of $20,000-$49,999.

Another product that has bucked the age-of-home trend is the massage showerhead. The greatest percentage of buyers came from those living in post-1970 homes, with 13.8% of these buying this product in 1981; another 4.2% in that group plan to buy a massage showerhead over the next 12 months. Of those planning to purchase this product over the next year, 57.9% will install it themselves.

Plumbing ranked 10th among the most important interior DIY projects completed in the past 12 months, with a total of 0.6%, or 266,400 households, that bought plumbing products indicating they installed items themselves.

For shower/tub kits, of the projected 2.61 million households that bought the product in 1981, homeowners living in pre-1940 homes showed the highest buying percentage at 8.1%. The same holds true for plastic plumbing. Of an estimated 3.74 million households, or 2.8%, that bought plastic pipe last year, those living in pre-1940 homes showed the highest percentage of purchases at 14%, with 62.5% of those owners doing the job themselves.

A substantially higher amount of plastic pipe was sold in the East North Central states than in any other region.

Another product that showed strong activity in older homes was vanities. A total of 9.9% of

(Continued on page 29)

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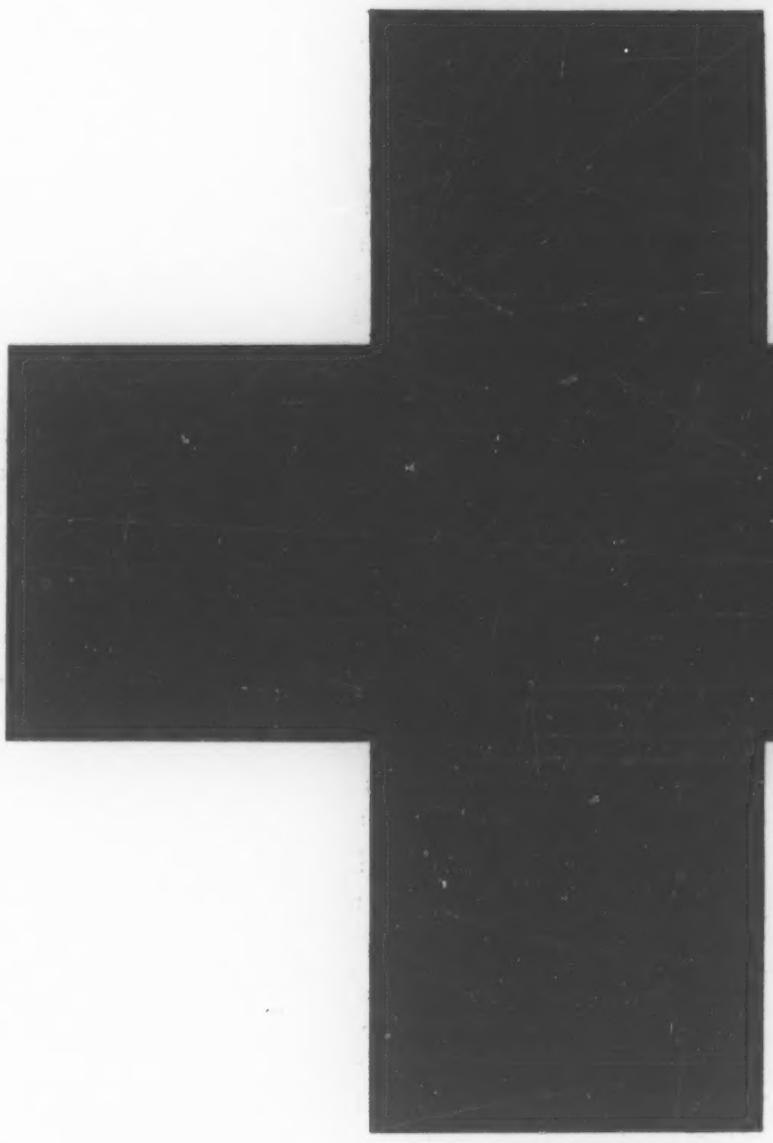

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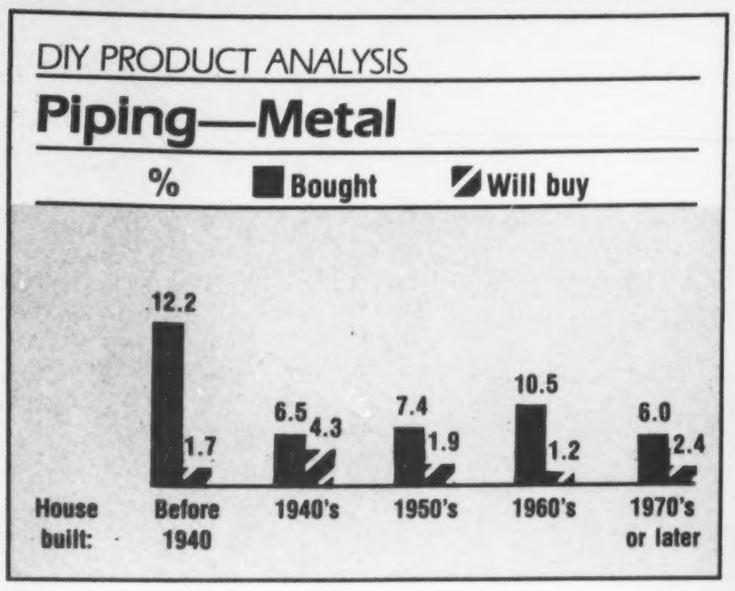

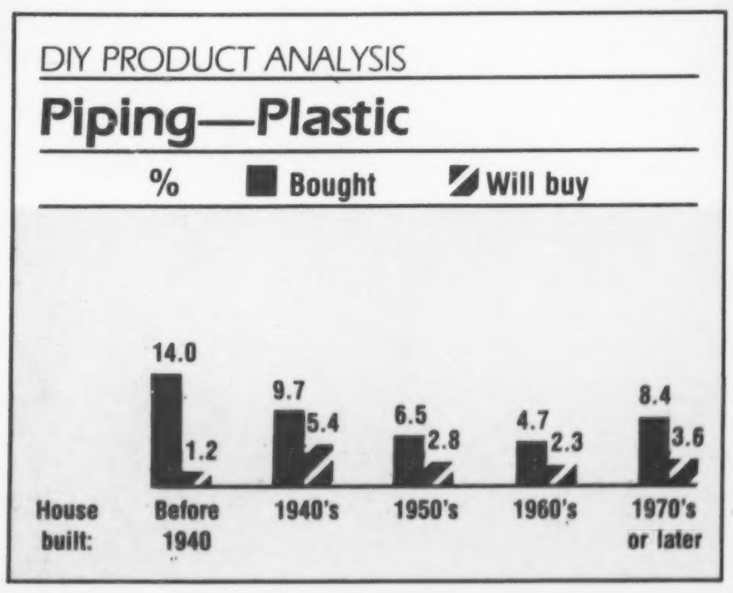

Faucets top list

(Continued from page 28)

the respondents living in pre-1940 homes made a vanity purchase in 1981 (the biggest percentage in this product group); 4.3% of those living in homes constructed in the 1940's said they would buy a vanity over the next 12 months. In addition, it appears the peak buying group for this product has a household income range of $35,000-$49,999.

Interestingly, for respondents who bought metal pipe and sinks during the last 12 months, the greatest percentage in each product category by age of head of household was from the 65 and older group (9.4% and 11.7% respectively).

While 30% of the survey respondents are in this age group, they are not afraid to tackle plumbing jobs.

Metal pipe still seems to attract the higher income bracket with 11.4% of the $35,000-$49,999 group buying metal pipe last year. Sinks will apparently be bought over the next year in the greatest quantities for homes that were built in the 1950's.

The survey showed sporadic activity for items like water purifiers, shower doors and water-saving showerheads. But the plumbing product that looks to have the greatest staying power is the toilet seat. Some 9.5 million households purchased a seat within the last 12 months and another 2.49 million will be buying the product over the next year, according to the survey.

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CALENDAR

July 25-28
Belknap's 18th Annual Dealer Market, Louisville, Ky.

July 31-Aug. 2
Southwestern Craft & Hobby Show, Market Hall, Dallas.

Aug. 6-8
Sentry Hardware Dealer Merchandise Market, Municipal Auditorium, Nashville.

Aug. 7-8
Ohio Valley Hardware's Fall Dealer Market, Vanderburgh County Civic Auditorium Gold Room, Evansville, Ind.

Aug. 15-19
National Hardware Show, McCormick Place, Chicago.

Aug. 21-22
Amarillo Hardware's Fall Red Carpet Buyer's Market, Amarillo Civic Center, Amarillo, Tex.

Aug. 22-25
Sealed Insulating Glass Manufacturers Assn. 1982 Summer Meeting, Radisson South Hotel, Minneapolis.

Sept. 9-10
Annual Fall Buying Market and Convention, Progressive Affiliated Lumbermen, Traverse City Hilton, Traverse City, Mich.

Sept. 12
Yakima Hardware Annual Dealer Market, Yakima Convention Center, Yakima, Wash.

Sept. 15-17
Florida Lumber and Building Material Dealers Assn. 62nd Annual Convention and Exposition, Orlando Hyatt Hotel, Orlando, Fla.

Sept. 25-26
L. G. Cook Distributor, Annual Hardware Buyer's Market, Grand Center, Grand Rapids, Mich.

DIY activity: A special report

DIY PRODUCT ANALYSIS

Wall decor

Source: NHCN/NAHB research

Product	Bought	Will buy	Did install self	Will install self
Paint	39.3%	15.1%	62%	70%
Wall paper	21.1	7.9	63	54
Stain	10.6	3.2	62	65
Molding	10.4	3.2	69	81
Paneling	9.8	3.8	61	71
Tile	6.3	2.9	37	50
Brick/stone	4.4	1.3	28	46
Cork	0.9	0.4	43	100

Paint cops No. 2 spot among DIY purchases

DIYers rank painting a room as the most important project completed last year.

According to the new *NHCN*/NAHB survey 3.4% of the nation's single-family, detached households or 1.5 million homes were involved in an interior painting project during the past 12 months.

Paint was the second most popular home improvement product last year, after seed and fertilizer, bought by 40% of the respondents. Some of the product was, of course, for exterior use.

Wall decor products tend to be strongly DIY. Of respondents who applied paint, 67% did it themselves. The corresponding figure for wallpaper is 63%; for paneling, 61%; for molding, 69%.

The survey also found that paneling is more popular in older homes, while wallpaper is favored in newer ones. Paint found buyers in houses of all ages. Other wall decor alternatives, like brick, stone and cork, are substantially less popular.

Among respondents occupying prewar homes, 12.2% bought paneling in the past year, as did 11.8% of those owning homes built in the 1940's and 10.7% with homes built during the 1950's. In contrast, the percentages for homes constructed during the 1960's and 1970's were 7% and 7.8% respectively.

While wallpaper is more even in popularity measured against the age of the home, it tends to be bought more often for newer homes. Of respondents living in homes built since 1970, 27.5% bought wallpaper in the past 12 months. For respondents living in homes built during the 1960's the figure drops to 22.7% and for those living in 1950's homes it declines again to 17.2%.

The figures for pre-1940 homes and those built during the 40's are slightly higher, 18% and 21.5% respectively, possibly reflecting a style preference in older homes.

Molding was a relatively popular purchase for homeowners with homes built during the 1940's; 15.1% made the purchase, perhaps correlating with the popularity of paneling in homes of that vintage.

Brick and stone was bought by only 4.4% of the respondents, a relatively low number although it still translates into a market of almost two million. The same is true for cork, purchased by 0.9% of respondents or a market of about 400,000.

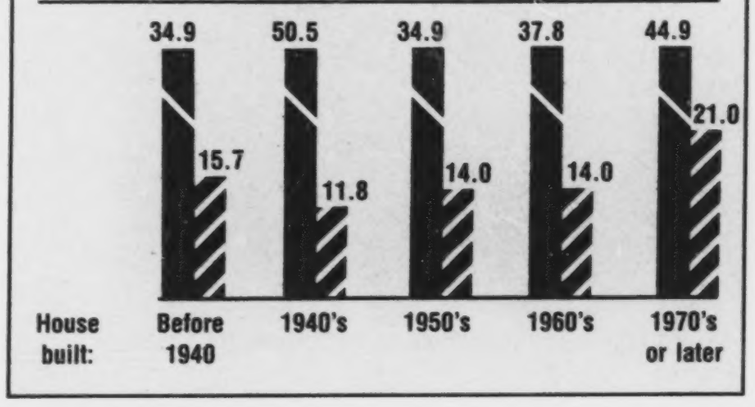
Wall tile was predictably bought most often by respondents living in houses built in the 1940's and earlier, when ceramic kitchen and bath walls were popular. However, survey results also show possible interest among high income groups and young homeowners, perhaps more receptive to a particular fashion trend.

Correction

An article appearing in the May 10 issue of *NHCN* indicated that the home use of kerosene heaters in Arizona was prohibited. According to the state fire marshal, the sale and use of the heaters is permitted "if UL approved and installed properly according to instructions."

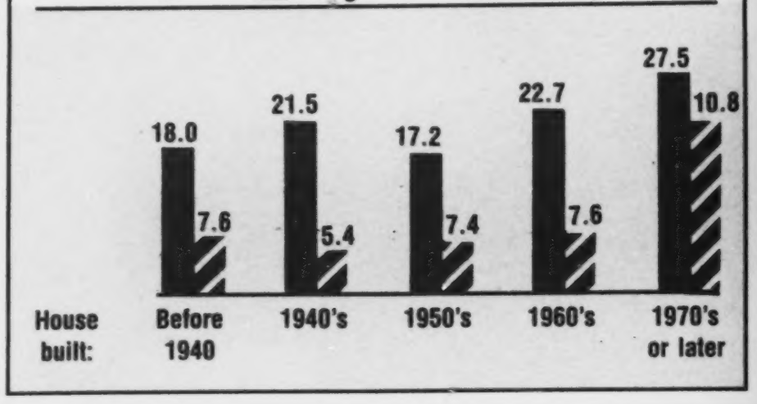
DIY PRODUCT ANALYSIS

Paint



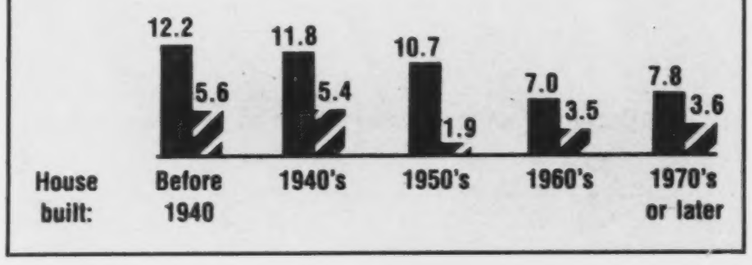
DIY PRODUCT ANALYSIS

Wallpaper



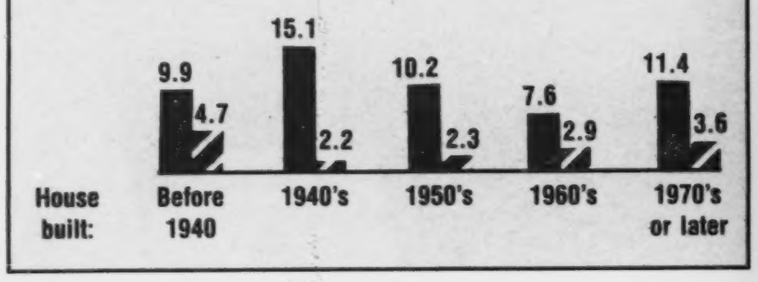
DIY PRODUCT ANALYSIS

Paneling



DIY PRODUCT ANALYSIS

Molding



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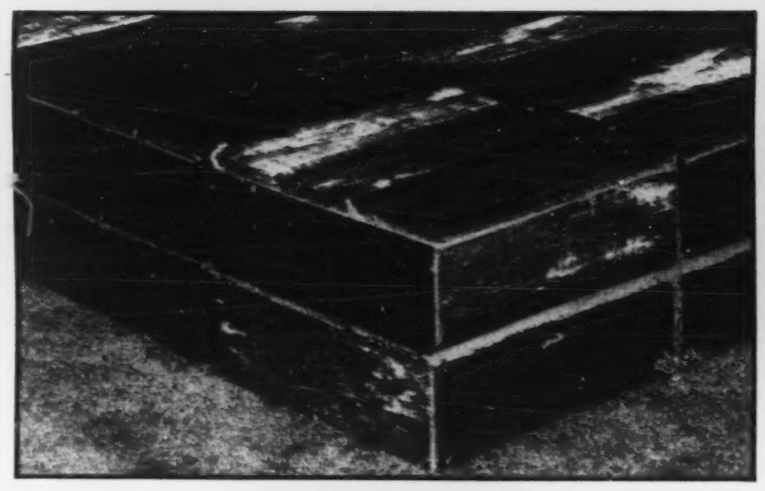

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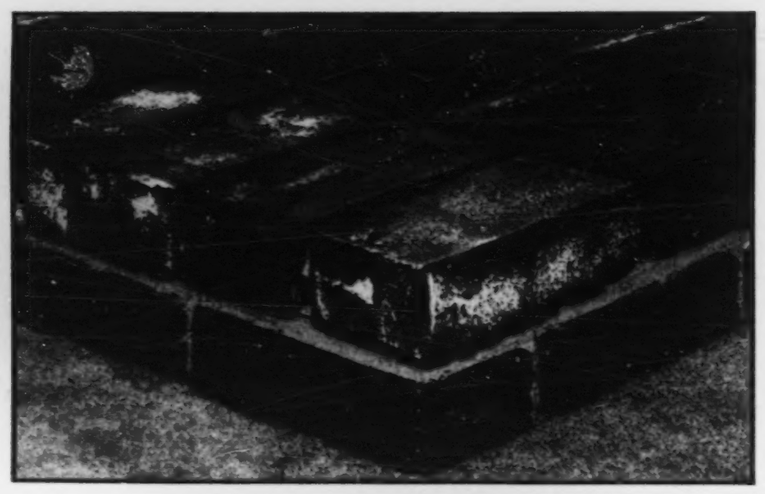
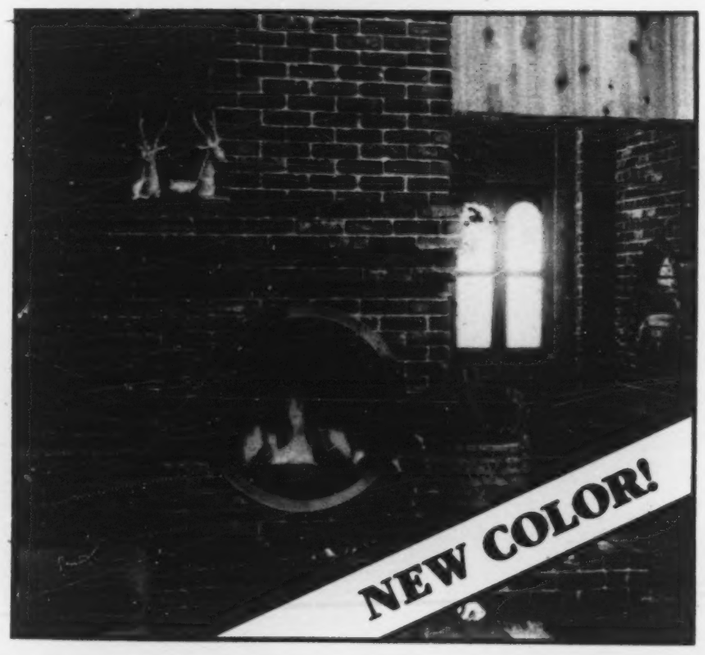


K-Lux Brick®*



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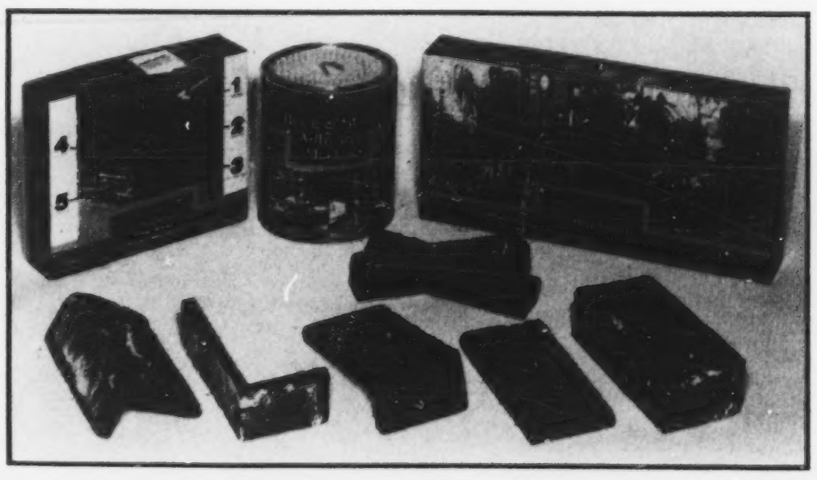
K-Lux Decorative Brick is in a class by itself. Compared to other decorative brick, it looks unbelievably believable. Custom molded corners require no cutting and no mitering and enable an amateur to do a professional job.

Value is another reason why dealers prefer K-Lux over other brands. Compare. K-Lux has not 15, not 20, but 30 bricks per carton. That's 50-100% more than the other brands! You can pay more for other decorative brick, but you'll probably get less. If you're not stocking K-Lux, you should be!



With K-Lux Decorative Brick's five accessories, you can create fireplaces, arches and recesses with a professional look.

*Products installed as taken from their cartons.

K-Lux

Better than real. Believe it.

DIY activity: A special report

DIY PRODUCT ANALYSIS

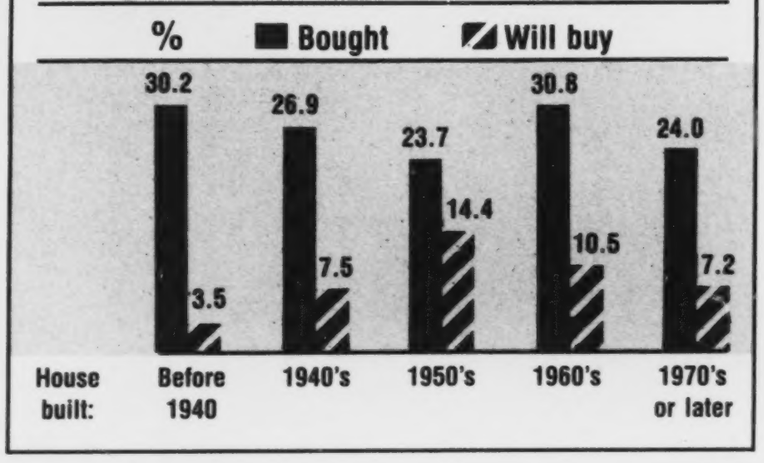
Decor: Floor/ceiling

Product	Bought	Will buy	Did install self	Will install self
Carpet	27.0%	9.0%	20%	24%
Linoleum	11.7	4.7	25	34
Floor tile	7.9	2.3	35	63
Ceiling tile	4.6	2.2	45	72
Stucco	3.9	1.0	19	25
Wood floor	3.7	0.7	20	33

Source: NHCN/NAHB research

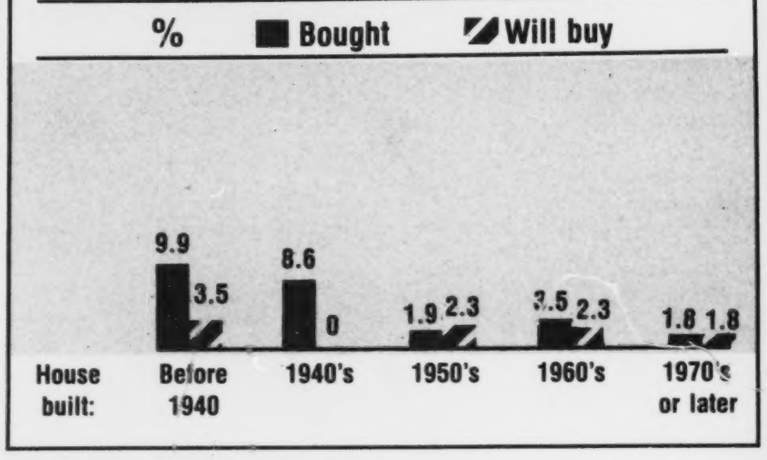
DIY PRODUCT ANALYSIS

Carpet



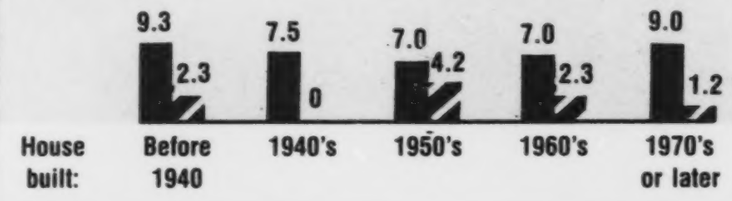
DIY PRODUCT ANALYSIS

Ceiling Tile



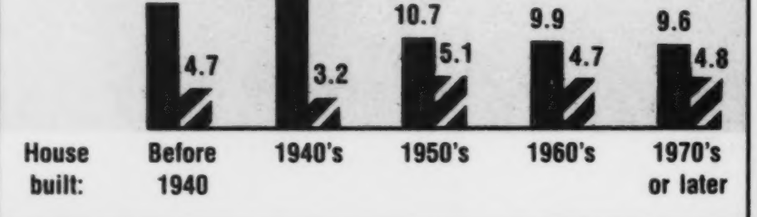
DIY PRODUCT ANALYSIS

Floor tile



DIY PRODUCT ANALYSIS

Linoleum



Carpeting ranks 5th among DIY purchases

In the past 12 months 27% of the respondents to the *NHCN*-NAHB survey bought carpeting, ranking it the fifth most popular home improvement product.

Translated into real terms, it means that 12 million owners of single-family, detached houses bought carpeting last year. Significantly, for home improvment product buying plans over the next 12 months, carpet ranks fourth.

Other floor covering alternatives, like linoleum, wood and tile are substantially less popular. Linoleum is the next most often chosen alternative of those surveyed. And 11.7% of respondents bought it during the past 12 months.

Of those who purchased linoleum, 25% installed it themselves, which makes it more of a DIY product than carpet and wood flooring. Tile was most often installed by homeowners; 35.4% of those surveyed tackeled that job.

Installing a ceiling, in contrast, is seen as more DIY-oriented. Of the 4.6% of respondents who bought ceiling tile in the past 12 months, 44.7% installed it themselves.

The tile was strongest in older homes, a logical finding as the product is designed to camoflage major imperfections. In houses built before 1950 9.2% of the respondents bought ceiling tile. In comparison only 1.8% of the respondents living in homes built since 1970 bought tile.

There also seems to be a greater inclination to buy the product among lower-income homeowners, with 6.7% of those earning below $14,999 having purchased it.

Interest is building

A similar lower-income trend was also evident among purchasers of linoleum. However, with that product there was also interest shown among higher-income homeowners.

Of respondents earning below $14,999, 15.3% bought linoleum, while 18.6% of those earning between $35,000 and $49,000 also bought it. These opposite trends obviously suggest a broad market with a wide variety in potential price points and product quality.

Linoleum was bought more often by owners of homes built before 1960, with 14% of those owning pre-1940 homes having bought linoleum. The same figure for the 1940's is 17.2%; for the 1950's, 10.7%.

Carpet proved strong in all decades and with all income groups. The same consistency was shown when respondents were divided by age, although the 35-54 year olds seem somewhat more likely to buy carpet, as 33% of them had purchased it during the past year.

Both linoleum and carpet remained popular with new as well as veteran home owners.

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DIY activity: A special report

DIY PRODUCT ANALYSIS

Tools/accessories

Product	Bought	Will buy	Did install self	Will install self
Fasteners	33.3%	11.2%	—	—
Brushes, rollers	27.1	8.5	—	—
Hand tools	26.0	6.6	—	—
Power tools	22.5	4.3	—	—
Ladders	13.8	3.7	—	—
Stationary tools	8.1	1.6	—	—

Source: NHCN/NAHB research

Most fasteners bought on spur of the moment

NATIONAL REPORT—One third of all single-family, detached, owner-occupied households in the United States purchased fasteners in 1981, and another 26% bought a hand tool.

In addition, sales of these products are projected to maintain their momentum over the next 12 months, based on data compiled in a nationwide survey conducted by *NHCN* and the National Assn. of Home Builders.

Nails, screws, nuts, bolts and other fasteners were purchased by 14.8 million households over the last year, with another 4.97 million homes expected to buy the product in the next 12 months. (Future purchases are lower because few homeowners actually plan to buy fasteners and do so only when needed.)

Interestingly, the highest response rate came from owners of homes built after 1970—38.9% bought fasteners last year. Of those respondents that will buy fasteners over the next 12 months, 12.2% live in homes constructed between 1960 and 1969, comprising the largest response.

The 30-34 year old age group appears to be the one looking to purchase fasteners with the most frequency: within that group, 50% of the respondents had bought fasteners during the previous 12 months, and another 23.6% said they would be buying the products over the course of the next year.

Hand tools meanwhile were purchased by 11.5 million households during the past 12 months, and 6.6% of the respondents insisted they would buy a hand tool sometime next year, which equates into a 2.93 million-home market.

Again, a lot of sales activity seems to be coming from the 30-34-year-old age classification, with 36.1% of that group having bought the product in 1981, and a surprising 16.7% (over six percentage points higher than any other age group) indicating they would make a hand tool purchase over the next 12 months.

Defining the market by home type, the largest response came from those owning homes built in the 1960's, of which 30.8% bought a hand tool last year, and another 7.6% will purchase one over the next 12 months. By income type, those respondents with household incomes of $25,000-$49,999 gave the highest "will buy" response.

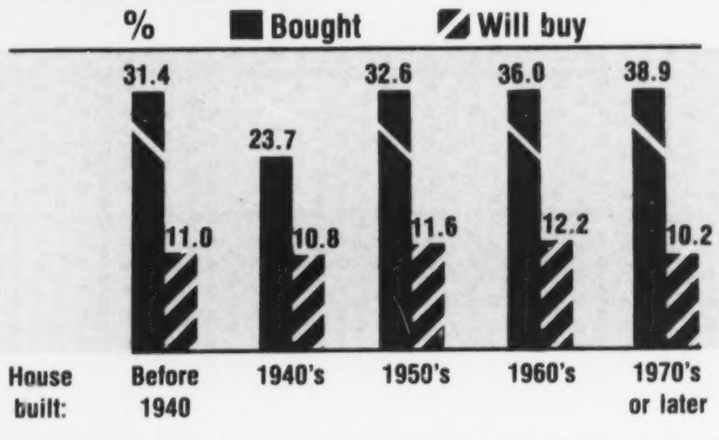
Almost 10 million owner-occupied, single-family households bought hand-held power tools during the last 12 months, or about 22.5%. However, with only 4.3% of all respondents planning purchases (again reflecting conservative buying plans among those not facing immediate needs), the market appears to be softening.

Some of the more intriguing market statistics occurred in the category of ladders. These products are being purchased and will be bought in the future, according to the survey, by owners of older homes, with 18.3% of those living in 1940's homes having bought a ladder last year, and 5.2% of those in pre-1940 houses saying they will buy the item over the next

(Continued on page 42)

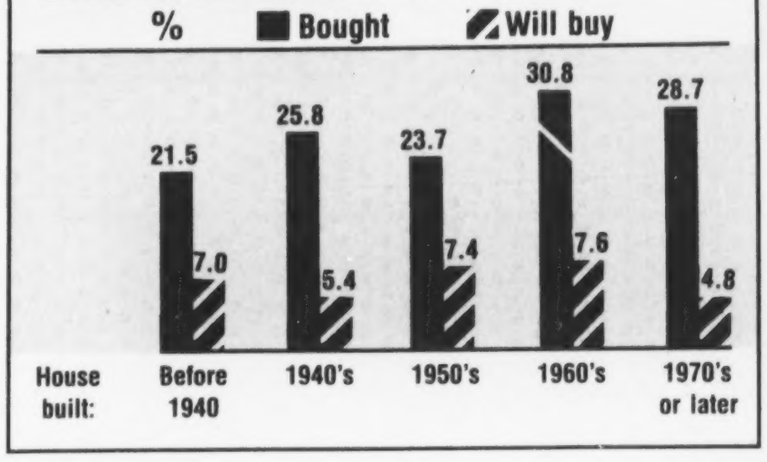
DIY PRODUCT ANALYSIS

Fasteners



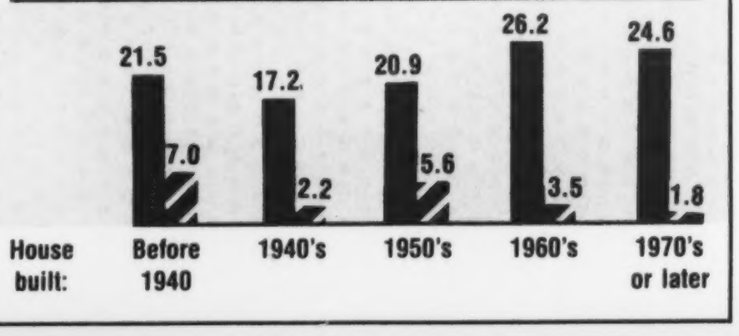
DIY PRODUCT ANALYSIS

Hand tools



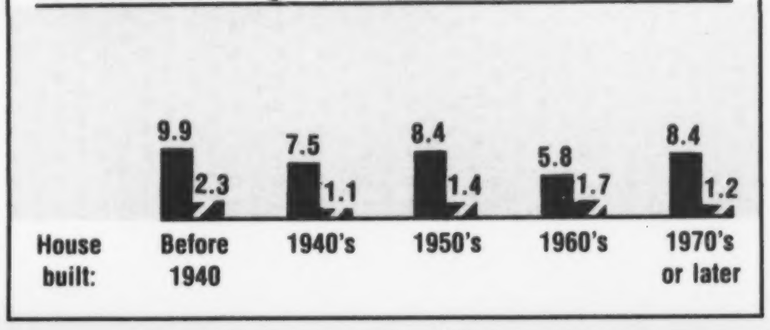
DIY PRODUCT ANALYSIS

Power tools



DIY PRODUCT ANALYSIS

Stationary tools



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DIY activity: A special report

Consumers view painting as the top interior project

In the eyes of consumers, painting a room was seen as the most important interior DIY project completed over the last 12 months. A total of 3.4% of the respondents to *NHCN*/NAHB's consumer survey did the job themselves, while 1.9% relied on a contractor for all or part of the work.

This translates to 1,509,600 DIY room painting projects plus an additional 843,600 contractor or contractor-assisted projects. With 39.3% of the respondents having bought some kind of paint during the past year, the survey revealed that less than one-tenth actually used it to paint an entire room.

Redecorating the kitchen was second on the DIY list, cited by 2.7% of the respondents or 1,198,800 households; installing insulation tied for the No. 2 spot with 2.7%.

Although adding a room, covering floors and changing plumbing were among the most important DIY projects homeowners said they completed, more respondents had some contractor assistance on these jobs than actually did all the work themselves.

More winners

Reflecting the boost in ceiling fan sales, 0.8% of the respondents, or 355,200 single-family households, cited installation of fans as the eighth most important DIY project.

Topping the list of the 10 most important DIY interior projects planned for the coming year was installing insulation, cited by 1.4% of the respondents. An additional 0.5% planned to have at least some contractor help.

Redecorating the kitchen and remodeling the bath tied for second place on the list at 1.3%, translating to 577,200 households.

Floor covering, in sixth spot, was primarily a contractor-assisted project, with 1.4% of respondents so indicating, and 1.1% doing it all themselves.

In 10th spot on the list was installing a fireplace or insert, reflecting a continuing concern for making the home energy efficient, with 0.4%, or 177,600 households, indicating that installing a fireplace or insert was a mandatory addition to their DIY list.

HOMEOWNER PROFILE

10 most important projects planned—Interior

Project	Households that plan to do (in thousands) Themselves	Contractor*
1. Install Insulation	622	222
2. Redecorate Kitchen	577	310
3. Remodel Bath	577	222
4. Paint Room	533	266
5. Finish Basement	533	—
6. Cover Floor	488	622
7. Add a Room	355	311
8. Wallpaper	355	178
9. Remodel Den/etc.	222	444
10. Fireplace/insert	178	888

*all or part of work

Source: NHCN/NAHB research

HOMEOWNER PROFILE

10 most important projects completed—Interior

Project	Number of households (in thousands) DIY	Contractor*
1. Paint room	1,510	844
2. Redecorate kitchen	1,199	888
3. Install insulation	1,199	710
4. Wallpaper	1,110	488
5. Remodel bathroom	799	222
6. Add room	533	666
7. Cover floors	488	888
8. Add fans	355	—
9. Finish basement	311	—
10. Change plumbing	266	488

*Did all or part of work

Source: NHCN/NAHB research

Painting the house was seen as the most important interior DIY project completed in the last 12 months.

NHCN photo

DIY PRODUCT ANALYSIS

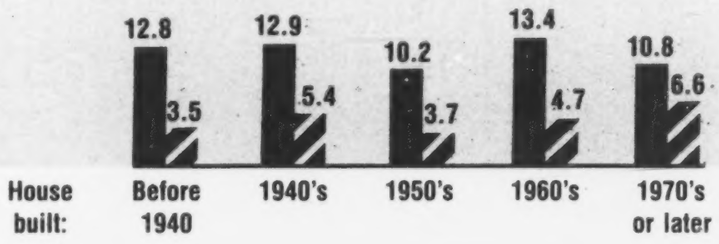
Decorative accessories

Source: NHCN/NAHB research

Product	Bought	Will buy	Did install self	Will install self
Drapes	20.9%	8.3%	40%	51%
Curtains	17.7	5.6	51	65
Finished furniture	17.7	4.9	—	—
Shades	15.3	4.8	44	68
Towel rack/soap dish	13.6	3.1	44	56
Drapery hardware	12.9	3.8	48	65
Wood shelving	11.8	4.6	57	82
Cabinet hardware	11.1	3.1	44	56
Built-in shelving	6.7	1.5	47	42
Shutters	6.2	1.6	51	85
Unfinished furniture	4.0	1.1	—	—
Greenhouse	2.3	0.6	68	20

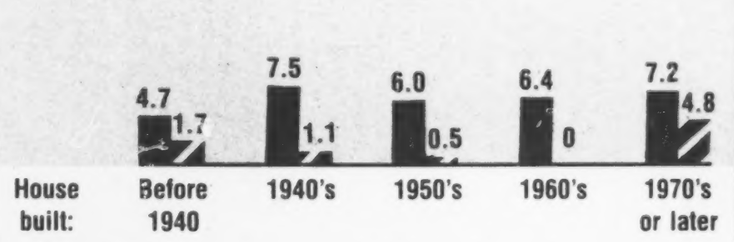
DIY PRODUCT ANALYSIS

Wood shelving



DIY PRODUCT ANALYSIS

Shutters



Market for drapes strong in new homes

Drapes were the No. 15 best-selling home center product last year according to the *NHCN*-NAHB survey, and responses indicate that increasing popularity will make it the sixth best seller over the next 12 months.

The market for drapes is strong: 20.9% of the households queried purchased drapes last year. Owners of homes built after 1970, however, indicated a far higher percentage of planned purchases, with 12.6% of those homeowners indicating they will buy drapery in the coming year compared to an 8.3% average among owners of homes from other decades.

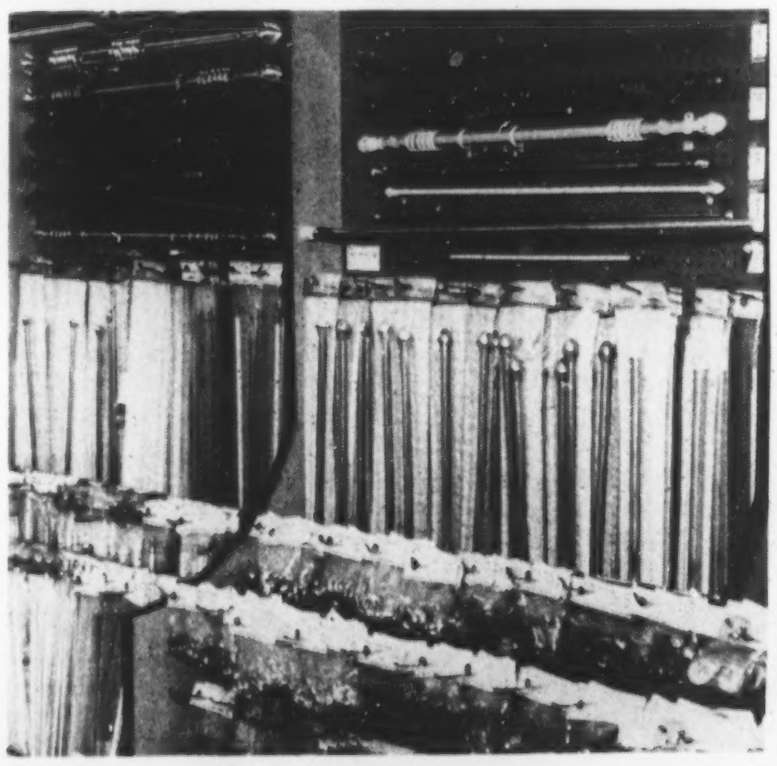
Wood shelves were bought more often by people 30-34 years old than other age groups; 15.3% of the respondents in that group bought shelves in the past year compared to an average 12.2% for other age categories.

Cabinet hardware may have been sold more for repair than initial installations in last year's troubled economy, since sales were heaviest in older homes. 15.1% of the respondents who owned 1940's homes and 14% of those living in prewar homes bought cabinet hardware while the average among homes of all ages was 11.1%.

Owners of 1970's homes plan to buy more shutters than any other group of homeowners; 4.8% of those respondents indicated they will buy shutters in the next 12 months compared to an average 1.6% of all respondents.

Shutters were a popular DIY product last year, particularly with people living in homes built in the 1940's, 1950's and 1960's. The per cents of respondents in those groups who put up shutters themselves were 71.4%, 61.5% and 72.7% respectively, and DIY installation averaged a high 51%.

Towel racks and soap dishes sold very strongly to owners of homes built in the 1940's; 20.4% of those respondents bought the products in the past 12 months compared to 13.6% on average.



DIY PRODUCT ANALYSIS

Drapes

DIY PRODUCT ANALYSIS

Cabinet hardware

DIY activity: A special report

DIY PRODUCT ANALYSIS

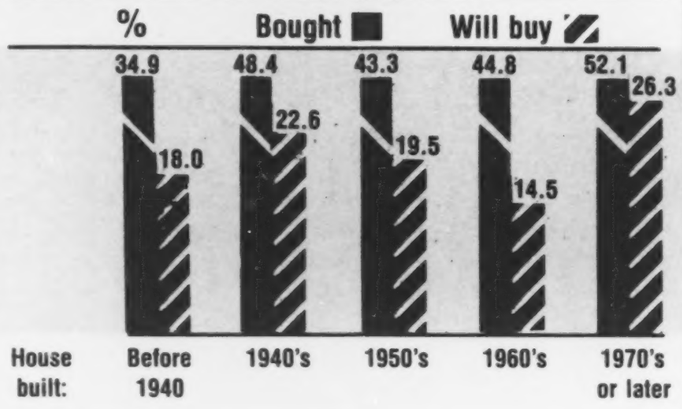
Lawn & garden

Product	Bought	Will buy	Did install self	Will install self
Seed/fertilizer	44.2%	19.9%	44%	49%
Garden hose	22.3	7.1	—	—
Tools/equipment	19.9	6.7	—	—
Patio furniture	12.2	5.0	—	—
Mail boxes	11.0	2.0	49	69
Storage sheds	6.8	3.7	57	70
Sprinkler systems	4.5	1.1	22	56
Fencing:				
Wood	8.1	4.5	52	60
Chain link	5.5	1.2	20	80
Wire	4.3	1.1	46	56
Brick	0.9	0.2	29	100
Stone	0.4	0.1	100	100

Source: NHCN/NAHB research

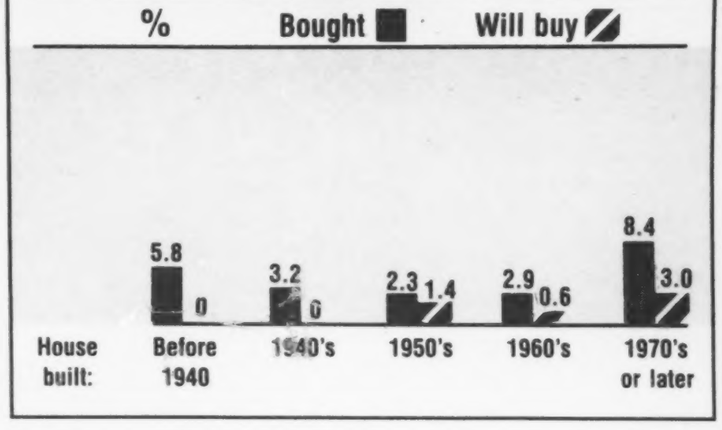
DIY PRODUCT ANALYSIS

Seeds & Fertilizers



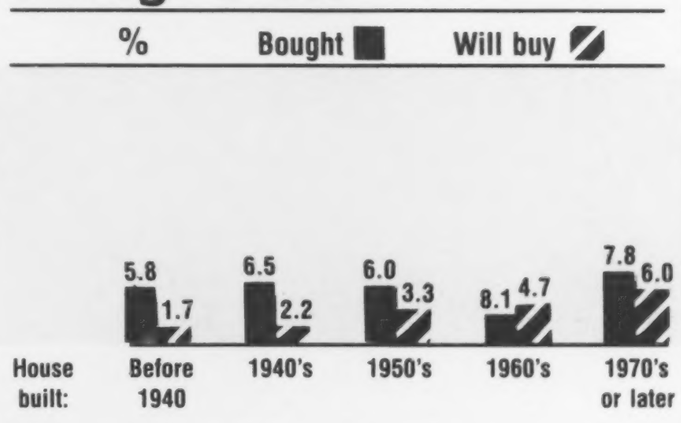
DIY PRODUCT ANALYSIS

Sprinkler system



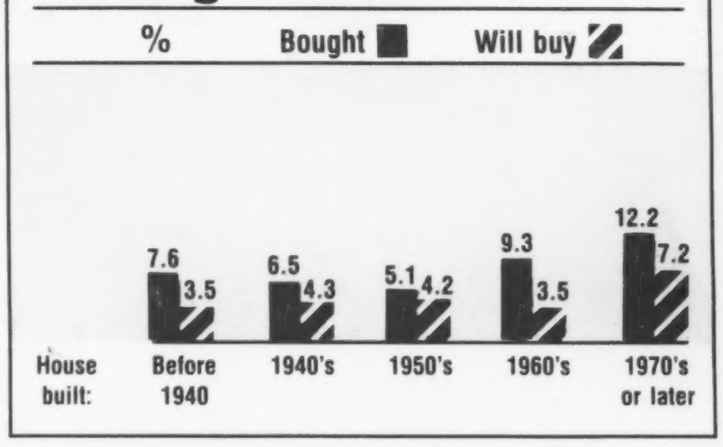
DIY PRODUCT ANALYSIS

Storage sheds



DIY PRODUCT ANALYSIS

Fencing—Wood



Demand for patio furniture grows

Upkeep of the lawn and garden is an essential element of owning a home, respondents in the *NHCN/NAHB* nationwide consumer survey indicated.

Basic lawn and garden products, including seed, fertilizer, garden hose and tools, were the most heavily demanded by the homeowners, the study said. However an accent item, patio furniture, revealed the most interesting statistics in the category.

Owners of homes built in the 1950's, 1960's and 1970's were most prone to have purchased patio furniture; 10.2% of the respondents who owned homes built in the 1970's were looking to make future patio furniture purchases this year, the survey indicated. That figure was well above the 5% average who said they planned such buys in the next 12 months.

Regionally, demand for the furniture has been particularly high in the Atlantic, Southeast and Mountain states, while future demand is concentrated in the East North Central, Mountain and Pacific regions where the percentage of respondents who said they would buy in the future was 7.2%, 6.2% and 8.5%, respectively.

Not surprisingly, patio furniture purchases were favored by households with incomes in the $20,000-$25,000 and $35,000-$50,000 income range.

Seed and fertilizer head both the list of basic lawn care goods bought by consumers and the list of all home center products sold last year, the survey showed.

Purchases were made by 34.9% of the respondents who own homes built before 1940, compared to the high of 52.1% for homes built after 1970. Owners of 1940's and post-1970 homes are the most likely to buy seed and fertilizer over the next 12 months.

As income increases, higher percentages of respondents said they have purchased or will buy seed and fertilizer with the greatest inclinations to apply the goods themselves in the $15,000-$70,000 income brackets.

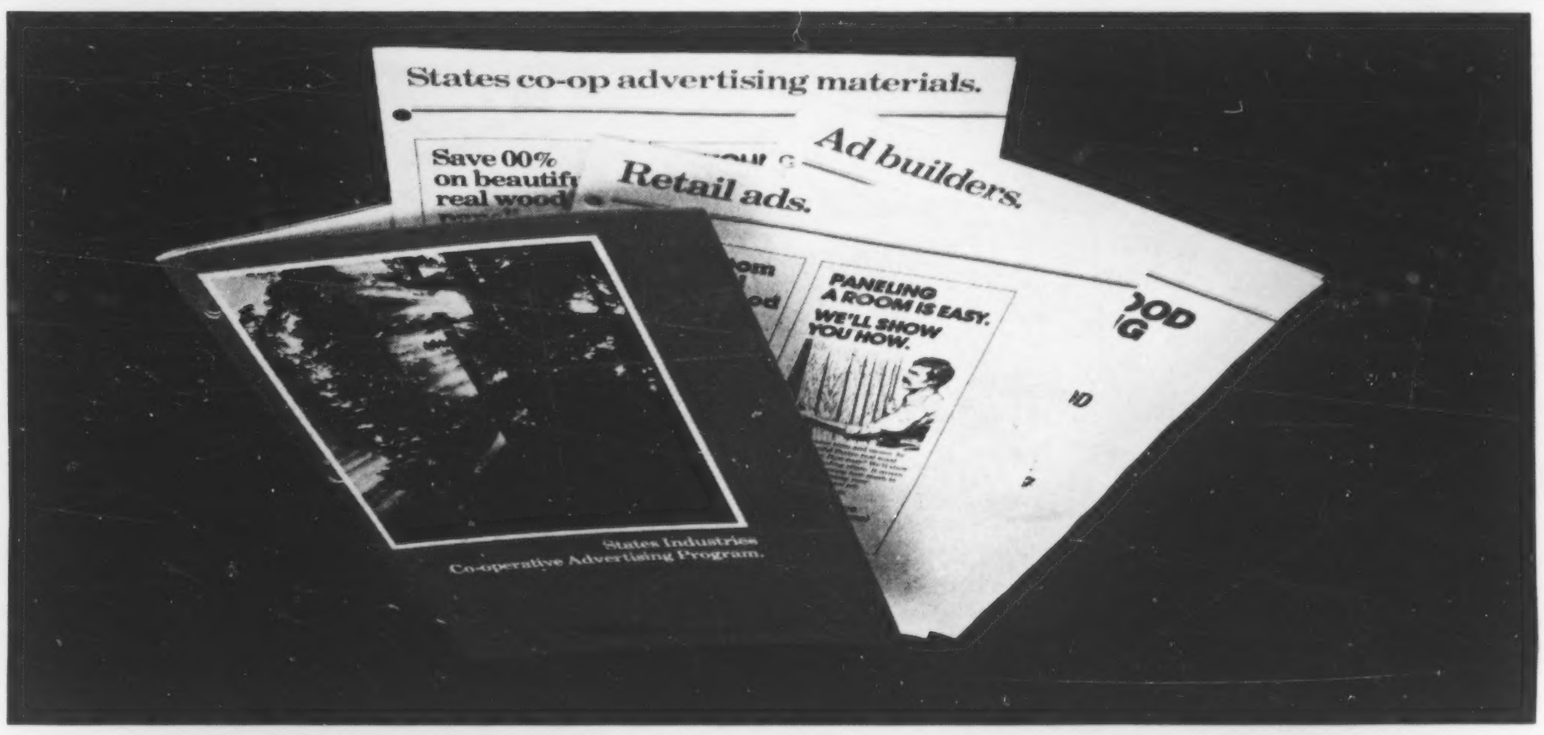
The purchase of garden hose was common to 22.3% of all respondents and 7.1% of them said they intend to make a garden hose purchase.

Past and future demand for garden hose was constant in each home group and each area of the country, except in the East South Central and Mountain sections where intent to purchase was expressed by 11.8% and 12.3% of the respondents, respectively.

Tools and equipment for lawn and garden also showed relatively strong preferences by respondents in all categories regarding both past and future buys.

The survey showed that storage sheds are a popular item,

(Continued on page 42)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Rounds & Porter Co.—Wichita, Salina, Dodge City

KENTUCKY
Sequoia Supply—Crescent Springs
Wimsatt Bros., Inc.—Louisville

LOUISIANA
Allen Millwork—Monroe, Shreveport
Davidson Louisiana—Houma, Lake Charles, Lafayette, Baton Rouge, Alexandria, Monroe, New Orleans
Sequoia Supply—New Orleans

MARYLAND
Dixie Plywood—Landover
Sequoia Supply—Columbia

MICHIGAN
Edward Hines—Grand Rapids

MINNESOTA
Shelter Products—New Ulm
Edward Hines Lumber Co.—Farmington

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Sequoia Supply Inc.—Jackson
Triangle Distributors, Inc.—Tupelo
United Plywoods Corp.—Meridian

MISSOURI
Edward Hines Lumber Co.—Springfield
Four States Supply—Carthage
Lumberyard Supply—St. Louis
Toombs & Company—Springfield

MONTANA
Boise Cascade Corp.—Billings

NEBRASKA
Central Lumber Sales—Lincoln
Rounds & Porter Co.—Hastings

NEVADA
Capitol Plywood—Reno

NEW MEXICO
Thunderbird Steel Corp.—Albuquerque

NEW YORK
Apex Building Products—Binghamton
Superior Supply and Hardware—Rotterdam

NORTH CAROLINA
Diamond Hill Plywood Co.—Greensboro, Raleigh, Charlotte
North State Building Material Co.—Asheville
Sequoia Supply, Inc.—Greensboro

NORTH DAKOTA
Lavelle Lumber Sales—Fargo

OHIO
Clem Lumber Co.—Alliance

OKLAHOMA
Rounds & Porter Co.—Altus, Oklahoma City, Tulsa
Cedar Creek Wholesale—Tulsa

OREGON
States Dealer Supply—Eugene

PENNSYLVANIA
Apex Building Products—Kingston
Eastern Distributors Co., Inc.—Philadelphia
Bennett Supply—Pittsburgh
Seven D Wholesale—Gallitzin

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Holston Builders Supply—Kingsport
Sequoia Supply—Memphis, Kingsport
Tennessee Plywood & Door Co., Inc.—Chattanooga

TEXAS
Davidson Texas, Inc.—Austin
Edward Hines Lumber Co.—Ft. Worth
Genstar—Corpus Christi, Harlingen
Sequoia Supply, Inc.—Houston
Vaughan & Sons, Inc.—San Antonio

UTAH
Diehl Lumber Products, Inc.—Salt Lake City

VIRGINIA
Diamond Hill Plywood Co.—Richmond, Chesapeake

WASHINGTON
Boise Cascade Corporation—Woodinville, Yakima, Spokane
C.A. Company—Spokane
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DIY activity: A special report

DIY PRODUCT ANALYSIS

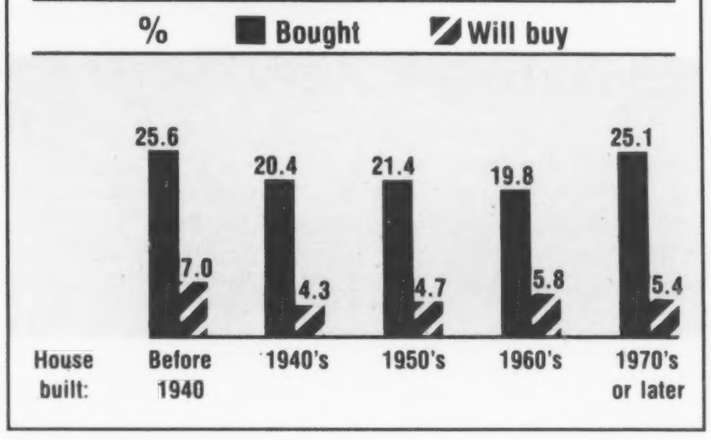
Outdoor power

Product	Bought	Will buy	Did install self	Will install self
Lawn mowers	22.6%	5.5%	—	—
Trimmer/edgers	14.5	2.0	—	—
Chain saws	7.8	1.0	—	—
Snow blowers	5.9	1.2	—	—
Generators	1.1	0.1	11%	—

Source: NHCN/NAHB research

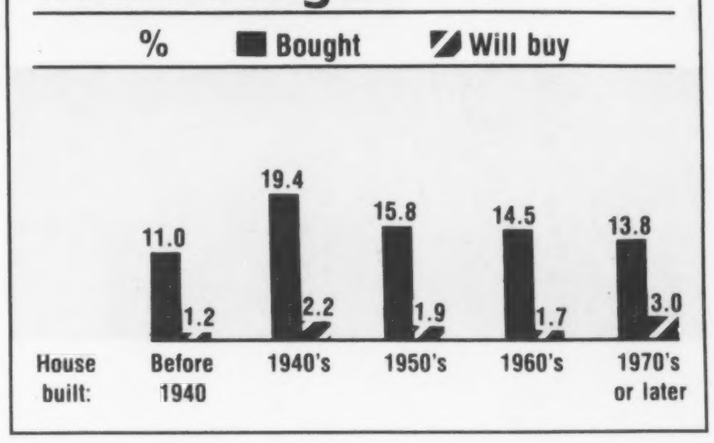
DIY PRODUCT ANALYSIS

Lawn mowers



DIY PRODUCT ANALYSIS

Trimmer/edgers



Lawn mowers still lead outdoor power group

Lawn mowers are still the No. 1 product homeowners purchase in the outdoor power equipment category, *NHCN*/NAHB's nationwide consumer research study revealed.

Owners of homes built in the 1970's, and in homes built before 1940 showed the highest purchase rate for lawn mowers in the past 12 months, with a little over one quarter of the homes in each age group making purchases, compared to approximately one-fifth of the homes in the other three age groups.

Among those who plan mower purchases in the next 12 months, the primary market appears to be homeowners living in pre-1940 homes where 7% planned to buy a lawn mower, compared to the 5.5% overall average. Homes built in the 1960's followed by those built in the 1970's will be the next most likely homes for new lawn mowers.

Significantly, 13.5% of the homeowners in the West South Central states plan mower purchases in the next year, well above any other region, and the national average.

In the snow blower category, 5.9% of the respondents overall said they purchased the product in the past 12 months. Age of the home seemed to have less to do with purchases than regional differences. Future demand, however, seems concentrated among homeowners living in homes built in the 1970's, and before 1940, where 2.4% and 2.3% respectively plan to buy a snowblower in the coming year, compared to the 1.2% overall average. This concentration is perhaps due to the higher percentage of affluent professionals living in those homes. Not surprisingly, the North Central states account for most of the purchasing activity.

Meanwhile, trimmers/edgers and chain saws showed strong popularity: 14.5% of the survey's respondents bought trimmers and 7.8% bought chain saws in the past 12 months.

The highest concentration of trimmer purchases were made by owners of homes built in the 1940's—corresponding in part to the higher incidence of retired residents—where 19.4% purchased the product. Owners of homes built in the 1970's, however, appear to be the brightest market in the next 12 months, where 3% plan purchases compared to 2% nationally.

The age of the home seemed to have little influence on chain saw purchases. The mid-Atlantic and West South Central regions seemed to be the primary areas of purchasing activity, the study showed, with approximately one quarter of the region's respondents purchasing the product. About 1% of all respondents plan to buy a chain saw in the next 12 months. The relatively low figure reflects in part the tendency by respondents to plan conservatively when projecting higher-ticket purchases.

Newspapers are most influential ad medium

Advertising affects the buying decisions of about three-quarters of the nation's single-family homeowners, according to the *NHCN*/NAHB survey.

The overwhelming influence of this group is newspaper advertising. Nine out of 10 respondents who said advertising was a factor in their buying decisions pointed to the power of print.

At the same time, direct mail had a strong affect on high-income owners of new homes.

Overall, direct mail was second in influence. Of respondents who said they reacted to advertising, 91% reported newspapers as influential, followed by direct mail, 27%; word of mouth, 23%; TV, 20% and radio, 12%.

TV proved surprisingly weak in reaching the usual target homeowner audience of 35 to 44 year olds.

It primarily influences households with combined incomes of $25,000-$35,000 or less than $15,000. People under 35 and over 65 are most affected.

Regionally the impact of TV is strongest in the East Central area, both north and south, where 24.6% and 25.5%, respectively, said they were influenced by commercials.

Least affected regions are the West North Central and the Pacific, where the figures are 16.3% and 12.9% respectively.

The impact of direct mail was strongest in the North Central region, east and west.

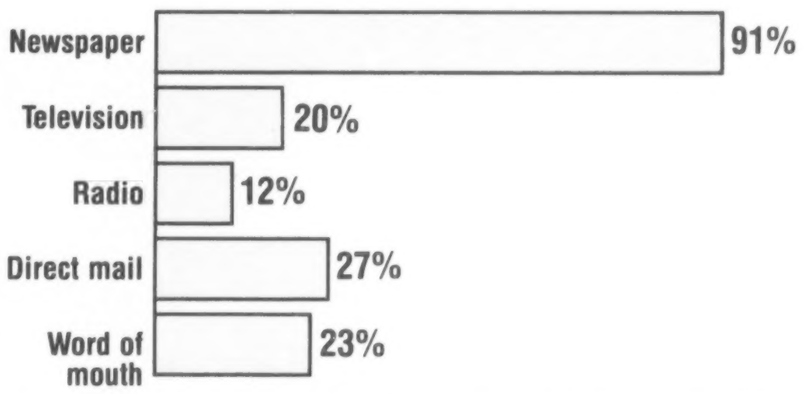
At the same time, younger people are much more likely to respond to direct mail with 42.4% of the 25-29 age group and 34.5% of the 30-34 group indicating they react to mail advertising.

Radio advertising also seems to have its greatest influence among younger home owners, with only 7.1% of respondents in the 35-44 year old category saying they are influenced by radio ads compared with 24.2% of the 25-29 group.

Word of mouth, although not a generally accepted form of advertising, was included as an option in the survey and cited by 23.3% of the sample as influential. Its impact was fairly equal across all income levels, ranging from 18.9% among the $50,000-$70,000 group to 28.4% among the $20,000-$25,000 sample.

HOMEOWNER PROFILE

What type of advertising affects shopping decisions for home improvement products



Patio furniture a favorite

(Continued from page 39)

especially in homes built in the 1960's and 1970's, reflecting a general decline in storage space in increasingly newer homes. Above-average responses came from homeowners in these categories.

Of the owners of 1960's homes, 8.1% said they have purchased and 4.7% said they will purchase a storage shed. For the owners of 1970's homes, 7.8% said they have bought and 6% said they will buy a shed.

Storage sheds received the highest responses in the have-purchased and will-purchase categories primarily in the South.

In fencing, the most significant trends were seen with the wood variety, the survey indicated.

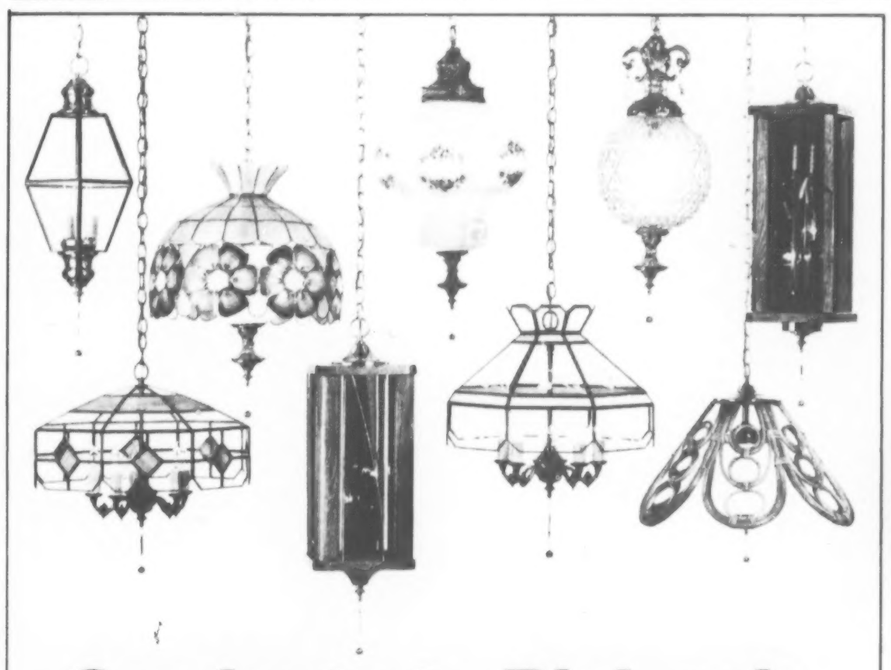
For owners of homes built in the 1960's and 1970's, 9.3% and 12%, respectively, said they bought wood fencing compared to an 8.1% average overall. Another 7.2% of the owners of homes built in the 1970's showed a strong desire to buy wood fencing in the coming year, well above the 4.5% average, the study showed.

Fasteners, tools

(Continued from page 35)

12 months. Each percentage represented the highest response rate in its group. Overall, 13.8% bought ladders in last year; 3.7% expect to.

One area where tool sales are not expected to improve is in stationary power equipment, primarily because of the advent of sophisticated bench tools. While an estimated 3.6 million households bought a stationary tool in 1981, only 710,400 are projected to make a similar purchase over the next 12 months. Once again this, in part, reflects the tendency not to plan major purchases until faced with the need. It also reflects the reluctance to make bigger-ticket purchases.



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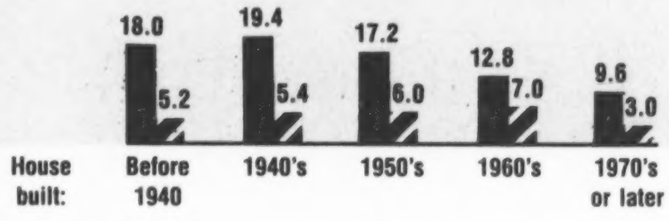
DIY activity: A special report

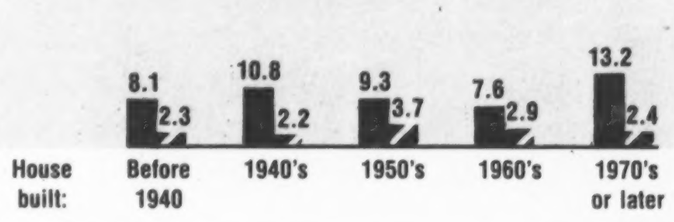
DIY PRODUCT ANALYSIS

Roofing



DIY PRODUCT ANALYSIS

Garage door opener



DIY PRODUCT ANALYSIS

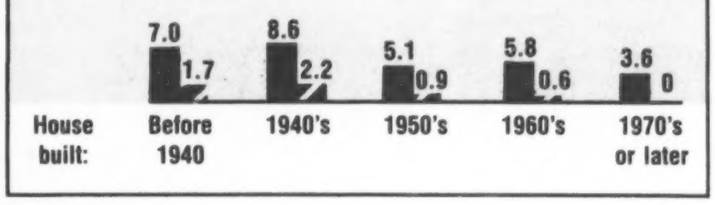
Exterior

Source: NHCN/NAHB research

Product	Bought	Will buy	Did install self	Will install self
Roofing	15.1%	5.4%	21%	36%
Gutters/downspouts	13.3	7.9	31	42
Barbecue grill	11.2	2.7	—	—
Garage door opener	9.6	2.8	38	39
Attic ventilators	8.5	3.3	29	37
Driveway sealer	8.2	4.9	48	45
Siding	5.7	1.0	23	13
Wood deck	4.4	2.8	47	74
Patio:				
Poured concrete	8.8	2.0	26	44
Brick	2.3	1.1	47	56
Slab	2.0	0.5	25	50
Stone	1.0	0.6	38	40
Barbecue pit:				
Brick	1.1	0.7	44	67
Stone	0.2	0.5	—	50

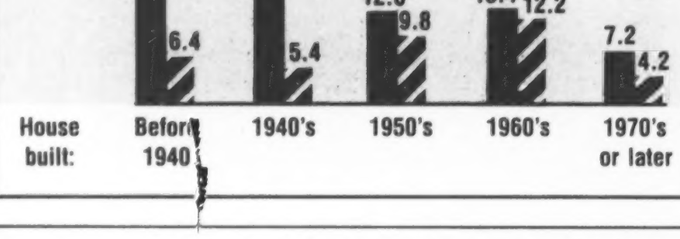
DIY PRODUCT ANALYSIS

Siding



DIY PRODUCT ANALYSIS

Gutters & Downspouts



Roofing tops exterior category

The most frequently purchased exterior product is roofing, according to the 1982 *NHCN*-NAHB survey of homeowners.

Changing a roof was ranked No. 1 in a list of additions and alterations homeowners plan to undertake during the next 12 months.

When considering additions and alternations planned over the next 24 months, homeowners viewed roofing with somewhat less priority, placing it third after basement and kitchen remodeling.

This slight drop in priority, when viewed in a longer time frame, may have to do with the urgency homeowners place on roofing.

In the overall list of DIY projects, changing a roof ranks fourth, with an average of $710 spent. Other top-ranked exterior DIY projects are enclosing an existing den/patio/porch, adding a patio and adding a deck.

Generally, owners of older homes are more likely to have bought roofing products, the survey shows. However, the category is strong regardless of a home's age.

For respondents who own houses built before 1940, 18% have purchased roofing products. For those living in homes built in the 1940's, the figure is 19.4%; in the 1950's, 17.2%. For those living in newer homes built in the 1960's and 70's, the figure drops to 12.8% and 9.6% respectively.

Not surprisingly the strongest roofing markets are in the East and Central regions, where the nation's oldest housing stock is located.

Among respondents who said they had purchased material for patios, poured concrete is a strong favorite compared with brick, stone or slab.

Poured concrete is fairly even in popularity regardless of a home's age, although, interestingly, it is most popular with homeowners in both the oldest and newest structures.

For those living in pre-1940 homes, 9.3% bought material for poured concrete patios, while 11.4% of those in homes built since 1970 made similar purchases.

Brick patios are most popular with the owners of homes built in the 1940's. Of those, 4.3% bought brick in the past 12 months. The second most popular building-era for brick was the 1960's; 4.1% of those homeowners bought brick.

Stone is much less popular in patio construction, peaking in

(Continued on page 47)

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DIY demographics: A special report

Giving homes a new coat is still the top project

Homeowners rank painting the outside of their homes the most important exterior project completed last year.

Painting was ranked significantly higher than the exterior project seen as second in importance, installing storm windows and doors.

Painting was also a strong DIY rather than contractor project.

These findings were part of the *NHCN*/NAHB survey of homeowners living in single-family, detached, owner-occupied dwellings (44.4 million units in the United States). There were 900 survey respondents.

Of those, 3.6%, which can be projected to 1.6 million households, saw house painting as the most important project completed. They also did it themselves. Another 0.9% of respondents, or 400,000 households, painted the outside of their homes with contractor help.

Storm window and door installation was seen as the most important exterior project completed by 1.9% of the respondents who did the work themselves and another 1.3% who had contractor help.

Putting on a new roof was considered third in importance, but of those who completed that project more relied on outside assistance than did it themselves.

In total, 6.7 million households bought roofing last year, 17.4 million purchased interior and exterior paint and 10.5 million spent money on storm windows and doors.

Over the next 12 months, exterior painting will again be the most important DIY project among those polled, with 2.2% of the respondents, or 977,000 households, planning to purchase paint and apply it themselves.

Roofing will also be a significant project to tackle during this period, with 2% of the respondents expressing the plans to install the building materials themselves over the next year. Only 0.6% said they would be calling on a contractor for partial assistance, which indicates a growing trend among consumers to try the reroofing job on their own.

Ranking third in this breakout was adding a deck, which 1.8%, or 799,000 households, will be doing themselves over the next year. Only 1% of the total respondents plan to do the construction with contractor assistance. Adding a deck ranked fifth among the top 10 DIY projects done in 1981.

Roofing

(Continued from page 44)

demand among owners of pre-1940 homes, where 1.7% of those owners bought stone. Slab, which was stronger overall than stone, also peaked in popularity with homes built before 1940; 2.9% of those homeowners purchased slab in the last year.

Wood decks proved to be less popular overall that poured concrete patios. Homeowners whose residences were built in the 1940's and since 1970 had most often made deck purchases; 6.5% in the first case, 6% in the latter.

However, of those living in houses built since 1970, as many, plan to purchase wood deck material as hvae already bought. This could indicate an increased interest in decks compared with poured concrete patios. While 11.4% of respondents living in post-1970 housing have bought concrete materials, only 1.8% planned to do so.

Home center selection

(Continued from page 17)

be their main reason, which could explain why home centers may not be capturing a larger market share. Of those polled who said they shopped mainly in a specialty store, 66% said it was for selection, while service ranked second, with a 38% response.

Speculatively, with so many homeowners (particularly younger professionals) expressing the need for service, and with the perception that home centers are not providing it, industry retailers could do well to re-evaluate their in-store assistance and employee-training programs if they want a larger share of the 44.4 million single-family households.

HOMEOWNER PROFILE

10 most important projects completed—Exterior

Project	Number of households (in thousands) DIY	Contractor*
1. Paint house	1,598	399
2. Storm doors/windows	844	577
3. New roof	710	799
4. Landscape/sprinklers	710	266
5. Add deck	666	89
6. Add patio	622	355
7. Cover patio	399	178
8. Add fencing	355	222
9. Add garage	266	355
10. Siding	266	311

10 most important projects planned—Exterior

Project	Households that plan to do (in thousands) Themselves	Contractor*
1. Paint House	977	399
2. New Roof	888	266
3. Add Deck	792	444
4. Add Fencing	488	888
5. Storm Doors/Windows	399	266
6. Cover Patio	355	888
7. Landscape/Sprinklers	355	888
8. Add a Shed	266	—
9. Gutters/Downspouts	222	888
10. Add Garage	222	444

*all or part of work

Reprints available

For reprints of this special section on DIY activity, contact Kathy Cronin, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022. A complete 150-page survey report is also available for $300. Additional demographic and product breakouts are available for $50 each by: combined household income; nine census regions; age of head of household; number of previous homes owned and current home value. Contact Wyatt Kash at the above address.

HOMEOWNER PROFILE

Why do they shop at general merchandise stores?

NHCN/NAHB keys buying trends

Seed and fertilizer, paint and fasteners were the products homeowners most often purchased during the past 12 months, according to the *NHCN*-NAHB survey.

This study investigated the home improvement trends and buying habits among owners of the nation's 44.4 million single-family, detached, owner-occupied dwellings.

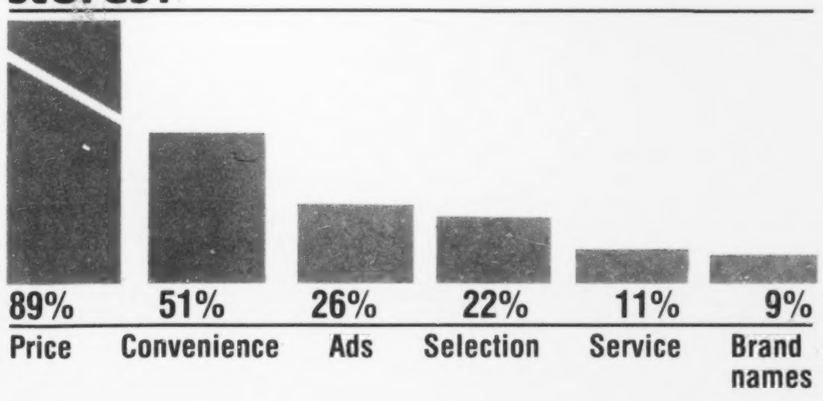
Percentages in the product preference charts may be applied to 44.4 million to obtain a picture of the actual market size.

Consistently throughout this study fewer respondents plan to buy products than have already made purchases. At least two reasons have been offered to explain this phenomena.

First, the economy may have fostered buying caution among consumers. Second, respondents, when asked about purchases made in the past 12 months, may have included some made earlier.

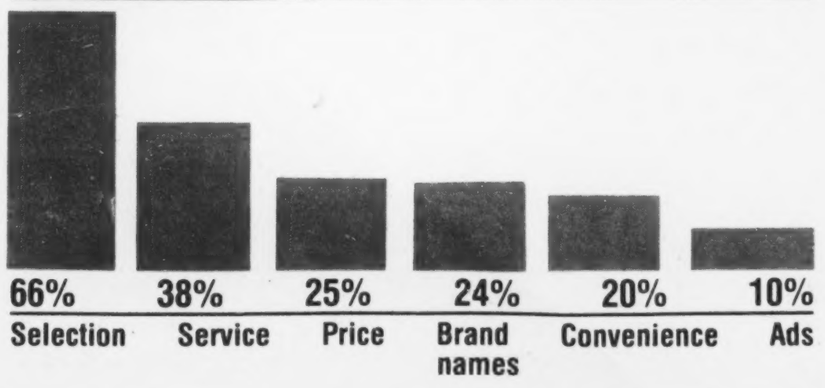
HOMEOWNER PROFILE

Why do they shop at discount stores?



HOMEOWNER PROFILE

Why do they shop at specialty retailers?



HOMEOWNER PROFILE

Most popular DIY products among surveyed households*

Rank	Product	% of respondents*
1.	Seed and fertilizer	44.2
2.	Paint	39.3
3.	Fasteners	33.3
4.	Brushes/rollers/pads	27.1
5.	Carpet	27.0
6.	Hand tools	26.0
7.	Fire/smoke detectors	24.5
8.	Lawn mowers	22.6
9.	Power Tools	22.5
10.	Adhesives/caulks/ sealants	22.5
11.	Garden hose	22.3
12.	Faucets	21.9
13.	Toilet seat	21.4
14.	Wallpaper	21.1
15.	Drapes	20.9
16.	Weather stripping	19.1
17.	Lawn & garden tools/ equipment	19.1
18.	Attic insulation	19.4
19.	Door locks	19.3
20.	Wiring, wall outlets	18.7
21.	Curtains	17.7
22.	Finished furniture	17.7
23.	Switch plates	16.8
24.	Roofing	15.1
25.	Trimmer/edgers	14.5

*bought over the last 12 months
Source: NHCN NAHB research

HOMEOWNER PROFILE

Most popular DIY products for future purchase*

Rank	Product	% of respondents*
1.	Seed and fertilizer	19.9
2.	Paint	15.5
3.	Fasteners	11.2
4.	Carpet	9.0
5.	Brushes/rollers/pads	8.5
6.	Drapes	8.3
7.	Gutters/downspouts	7.9
8.	Wall paper	7.9
9.	Attic insulation	7.9
10.	Garden hose	7.1
11.	Adhesive/caulks/ sealants	6.6
12.	Hand tools	6.6
13.	Lawn and garden tools/equipment	6.1
14.	Faucets	6.0
15.	Toilet seats	5.6
16.	Curtains	5.6
17.	Door locks	5.5
18.	Lawn mowers	5.5
19.	Roofing	5.4
20.	Weather stripping	5.3
21.	Ceiling fans	5.3
22.	Water heater wrap	5.1
23.	Fire/smoke detector	5.0
24.	Driveway sealer	4.9
25.	Finished furniture	4.9

*planning to buy over the next 12 months
Source: NHCN NAHB research

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Hechinger	5/1-1st qtr.	$ 54,756	$ 51,885	6	$2,020	$1,787	13
The Home Depot	5/2-1st qtr.	25,610	8,011	220	795	526	51
Lowe's	5/29-4 wks.	86,500	80,100	8	—	—	—
Pay 'n Save	5/1-1st qtr.	218,105	208,697	5	912	1,251	–27
Scotty's	5/22-4 wks.	27,252	27,488	– 1	—	—	—

*$ in thousands

Home Depot 1st-qtr. net up 51%

ATLANTA—Although it incurred additional expenses from expanding its four stores here, The Home Depot saw net earnings increase 51% and sales rise 220% during the first quarter ended May 2, according to company officials.

The eight-store chain, helped in the period by the opening of four outlets in the Miami area since the first quarter 1981, had first-quarter sales this year of $25,610,202 which helped net income increase to $794,541.

The expansion and remodeling of the company's Atlanta stores (*NHCN*, Feb. 1) was completed in April and cost the chain about $71,000 in personnel expenses along with capitalized leasehold improvements and store fixture expenditures of $390,000, according to officials.

"The additional space and revamping of departments is expected to increase future sales, facilitate better traffic flow and provide additional operating efficiencies," chairman Bernard Marcus and president Arthur Blank told shareholders.

Despite the ongoing changes in the period, they said, the Atlanta stores showed significant although undisclosed sales gains.

In other Home Depot developments in the quarter, shareholders approved an increase in the number of authorized common shares from four million to 15 million.

Hechinger's 1st-qtr. net rises 13%

LANDOVER, Md.—Despite poor weather which adversely affected its sales, Hechinger posted a 13% increase in net income and a 5.5% gain on sales in the first quarter ended May 1, company officials announced.

The 32-store chain's earnings rose to $2,020,226 on sales of $54,755,561 in the quarter.

Officials pointed out that the company's results were helped by an expense control program, aimed at improving earnings, and by the opening of a new store on the west side of Baltimore, which has produced better-than-expected volume.

Palmer G. Lewis posts 1st loss

SEATTLE—Building materials distributor Palmer G. Lewis, Auburn, Wash., incurred its first quarterly net loss in the last 30 years with a $126,267 loss in its first quarter ended April 25, company officials said at its annual meeting here last month.

A part of the loss resulted from a 17% decline in sales in the period compared to a year ago to $21,794,710.

Chairman Robert D. Peterson told shareholders that high interest rates continue to plague the company and were the primary cause for the disappointing results.

He said the first quarter is historically the Northwestern wholesaler's weakest period of the year and that officials expected business to improve, with month-to-month earnings comparisons for the remainder of the year looking more favorable.

Lowe's May biz sets new record

NORTH WILKESBORO, N.C.—Lowe's posted its highest four-week retail sales total ever during the period ended May 29 as the 231-store chain's retail volume was up 27% compared to May 1981 to $50.2 million, officials reported.

Overall, Lowe's sales were up 8% in the month to $86.5 million, the most positive sales comparis on for the company in 11 months.

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STOCK PRICES

	As of 6/9	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	22⅜	48¼	22⅜	7
Diamond Int'l (NYSE)	39	41¼	26¼	17
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	9⅛	26½	9	10
Forest City (AMEX)	12⅝	19¼	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	34½	51	34⅛	4
Lowe's (NYSE)	14⅜	18⅝	10½	15
Payless Cashways (NYSE) [Furrow]	19⅜	22¼	15¼	15
Scotty's (NYSE)	17½	26⅝	15⅛	9
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9¼	24¼	9	33

*$ in millions

Over-the-counter stocks

	As of 6/9 Bid	As of 6/9 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	8¾	9½	14¾	7½
Hechinger	17⅞	18¼	23⅛	15¼
Hines Lumber	18	19	21	15
The Home Depot	18⅛	18⅜	18⅛	6⅛
Pay 'N Pak	12⅛	12⅜	18	12⅛
Pay 'n Save	17⅜	17⅝	29½	16½
Scotts Seaboard [Scott's]	1⅛	1⅝	2¾	½
Wolohan Lumber	3⅜	3⅝	5⅝	3

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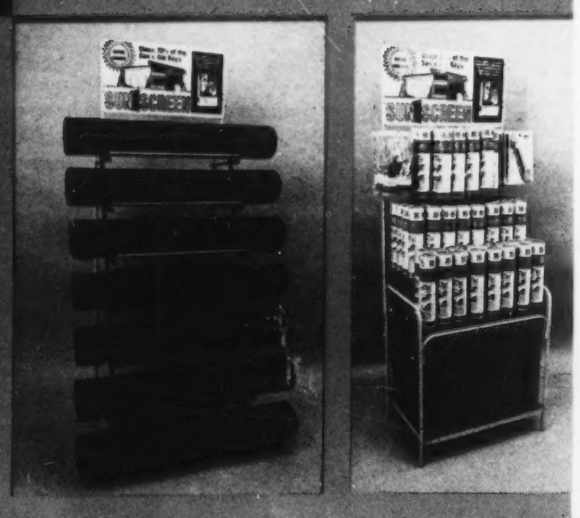

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National Home Center News®

Vol. 8, No. 15 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | July 19, 1982
$7 per year $2 per copy

Handy City is liquidating the largest Green/Harris store in Morrow, Ga., near Atlanta, with a warehouse sale that includes items like studs for 49¢ and Glidden Spread Satin at $7.88. When the sale ends next month, the unit will become Handy City's new distribution center.

NHCN photo

Canada's faltering economy spurs cutbacks at chains

By John Caulfield
NHCN associate editor

TORONTO—Canadian home center operators are closing stores, cleavering personnel ranks and slashing inventory in the face of what can only be described as the near-depression state of this country's economy.

Industry executives look at the dismal numbers—10.2% unemployment, 11.8% inflation, a 64% drop in single family housing starts from a year ago, and a Canadian dollar that is worth only 77 American cents—and lament they can see no improvement in the economy, or their own businesses, until late 1983.

"Consumer confidence is absolutely zip, and we're finding our industry is not as recession-proof as we thought," said Alan Keyworth, president of the 212-unit, $416 million Beaver Lumber chain here.

Canada's largest chain had a 10% increase in fiscal 1982 sales ($90 million coming from its 74 franchised stores), but had flat earnings of $6.6 million. Beaver, a subsidiary of Molson, the brewing concern, has now imposed a manpower freeze ("We've cut 74 'beyond store' people and virtually have no part-time help," Keyworth said) and extended management salary reviews to 17 months. Most significant was its closing of 28 units and its plans to lop off 30 more in fiscal 1983, ending March of next year. "We should have done this two years ago," he said.

In an effort to reduce its overhead, Beaver has also cut its "capital employed" expenses (inventory plus receivables) by $27 million. The chain currently stocks $71 million worth of products.

Keyworth envisioned a drastically slimmed-down chain of 160-175 stores with sales of $300 million. "Right now, our big ticket products aren't selling, which has really hurt, but we're ready to go when the economy improves, hopefully sometime next year."

That optimism is shared by neither the majority of Canada's 24 million population, nor most Canadian or United States economists, who blame the Liberal Government's two-year "Canadianization" program—intended to reduce foreign ownership of the country's gas and oil industries to 50% by 1990—as the undertow dragging down the economy.

The program, which increased Canada's share in these industries by only 6.7% since it was started, to 34.7%, has resulted in the withdrawal of over $8 billion of foreign investment

(Continued on page 38)

W. R. Grace divests Green/Harris yards

By Kenneth Schept
NHCN senior editor

MORROW, Ga.—W. R. Grace is divesting eight-store Green/Harris, the Southeast lumberyard operation that did not fit the conglomerate's retailing formula.

Five of the stores are currently being liquidated. Three are being sold to the current managers.

Grace has been trying to sell the chain as an entity for at least the past 18 months.

"We have not come up with a deal that is palatable at this point, but we will," Frank Denny, president of Grace's home center division, told *NHCN* last December.

Such a deal never materialized and early in May a decision was made to offer units to managers and liquidate stores that were not purchased.

Grace had attempted to bring the Green/Harris stores more in line with the parent company's DIY orientation. Advertising was increased and some units were renamed G&H Home Centers.

(Continued on page 35)

Exclusive NHCN survey

Western Show may shift attendance

NATIONAL REPORT—The emergence of the Western Home Center Show onto the 1983 trade show calendar is likely to cause a marked drain on attendance at the National Home Center Show, according to a nationwide survey of home center executives.

Four out of every nine executives polled said the Western regional show "fills a void" in the home center industry. But when asked if their companies would send the same number of people next year to the National Home Center Show compared to this year, 40.8% of the executives said they would send "fewer people."

Approximately 45% said they would send the same number, and 14.3% said they would send more.

These and other findings surfaced from a *National Home Center News* survey mailed to the top executives of 1,700 home center operations across the country and another 1,700 manufacturers serving the industry. A total of 12.2% of the home center chains responded to survey, conducted during May and June. The response

(Continued on page 38)

Rear-baggers head mower sales

By Greg Puchalski
NHCN senior editor

NATIONAL REPORT—Rear-bagging lawn mowers have spearheaded a solid mower sales season, in the face of impending safety regulations from the Consumer Product Safety Commission.

The C.P.S.C. rules, requiring mower manufacturers to install safety features encompassing a handle device to stop the blade and new housing design requirements, are not driving consumers to purchase this year's units, however. Next year's models are expected to be more expensive due to the new standards.

Dealers cited an abundance of rainfall which has kept grass growing and consumers buying in some parts of the country, alterations in programs to meet consumers' needs, and even a willingness to upgrade to better models.

"Maybe the consumer has been led on by what will happen next year," said buyer Richard Fox of 18-unit Scott's, Linthicum, Md. "Mowers will be no cheaper. But, there has been lots of rain and people who have put off mower purchases in the past are replacing their worn-out models."

Rear-baggers have emerged as the most popular mowers for many dealers.

"Rear-baggers offer an ease

(Continued on page 35)

NEWSBREAKS

McNULTY LEAVES GRACE. Robert McNulty, who joined W. R. Grace two years ago from a two-store chain, and became executive vp-merchandising for Angels, has resigned from his current post as executive vp-merchandising of Grace's Western home center region. No successor has been named.

HANZI RETURNS. Former Handy City president Georges Hanzi has returned to the home center industry as president of 49-unit Homecrafters, Pelham, Ala. Hanzi has brought over former Handy City executives Steve Wylie and Huey Stafford as vice presidents of administration and merchandise, respectively. A spokesman at Homecrafters' parent, Union Camp, said efforts to sell the chain (*NHCN*, Nov. 9, 1981) are in "limbo."

INSIDE

SEASONALLY ADJUSTED figures show a 6% decline in spending for repair/remodeling in the first quarter ..... **page 2**
NEW HAMPSHIRE residents now need a fire department permit before they can buy a kerosene heater 2
PAYLESS CASHWAYS bought two Brookhart units ... 3
FLOODS IN Connecticut caused a run on pumps. 3
EXTENDED MILL closings will force lumber prices upward . 6

NATIONAL REPORT—With F.B.I. statistics showing one burglary occurring every eight seconds and one larceny-theft every four seconds nationwide, home center chains around the country are witnessing unprecedented sales growth in security hardware.

Retailers merchandising these security products, however, assert that profitability depends primarily on stocking them in departments where consumers expect to find them.

(See story, page 15.)

DIY Industry update

Chase-Pitkin cancels direct mail

ROCHESTER—Chase-Pitkin, the nine-store chain based here, was planning on converting to direct mail from newspaper tabs until the results of a one-store test in February forced them to rethink their decision.

The direct test took place last February in the Brockport, N.Y., store, where 5,084 direct mail pieces were sent out at a cost of $96 per thousand, according to advertising director Bill Wikander.

"The results were very disappointing," he said. "There was no detectable sign that we made any impact in that area." A second test planned for March was cancelled following analysis of the Brockport results, Wikander said.

Chase-Pitkin had been experimenting with direct mail in an effort to avoid the high cost of newspaper advertising in the Rochester market, but the test proved that direct mail was not "cost effective," Wikander declared.

The chain is now testing a "unique newspaper distribution plan" involving the two Rochester newspapers, according to Wikander. The zoned plan consists of two partial distributions on Tuesday evening and Wednesday morning. Testing of the plan began May 25 and will continue through July.

Cromwell's cozy with cable heat

CROMWELL, Minn.—John Dahlman, co-owner of Cromwell Home Center, admits that he and his partner and brother, Mark, weren't totally convinced that an underground electrical cable system designed to heat their new store would be effective.

Officials from the Carlton County Cooperative Power Assn. were pushing off-peak power usage, however, and the cable, imbedded in sand and designed for overnight operation, would serve that purpose while supposedly cutting the store's heating bill.

"We knew our heating was going to be a big expense," Dahlman said, "and we took a chance with the cable. We had to utilize our money well because we didn't have that much of it."

The heating system proved itself during the store's first winter of operation as the community, about 45 miles west of Duluth, experienced 40-below temperatures and wind-chill factors of 100-below, according to Dahlman.

The home center's heating bills from September, when the store opened, to March totaled only $1,100, or about $150 per month as compared to the $800-per-month heating bill another nearby store of similar size incurred with oil, Dahlman explained. Meanwhile, the cable installation cost Cromwell only about $2,000 aside from labor.

Cromwell's lower-heating bills were aided by the fact the store was charged at the off-peak rate of 3¢ per kilowatt hour against a regular rate of 10¢-11¢ per kilowatt hour.

Brother Mark said the system should be as effective this winter too.

"What would make it even more effective is another 6 in. of insulation in the attic," he noted.

O'Malley's, Stapley join forces

PHOENIX—The O'Malley Cos. and O. S. Stapley are combining their wholesale hardware divisions to form Southwest Hardware, a wholesaler to operate out of Phoenix.

The hardware division of O'Malley's Mallco Distributors and O. S. Stapley's Arizona Hardware are joining forces to form the new company. Mallco will continue to operate its lumber and building materials business under its present name.

Mark O'Malley, formerly sales promotion manager of Mallco, will serve as president and chief executive officer of Southwest Hardware. James M. Berg will become executive vice president and chief operating officer.

O'Malley's other businesses include a chain of retail home centers in the Southwest while Stapley also operates farm and industrial businesses.

National Home Center News®

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 15 July 19, 1982

1st qtr. repair expenditures up 15.6% to $18 Billion

WASHINGTON—Residential property owners increased their rate of spending for home maintenance and repairs, but reduced the level of expenditures for construction improvements during the first quarter of 1982.

According to the latest report from the Department of Commerce, maintenance and repairs expenditures increased 15.6% in the first quarter, to an annual, seasonally adjusted rate of $17.8 billion, compared to $15.4 billion in the last quarter of 1981.

The rate of expenditures for additions and alterations, meanwhile, fell 27.1% from the previous quarter, to $16.7 billion, while the rate of spending for major replacements, including such items as bathtubs, water heaters and roofing, was down only 7.3% to an annual rate of $8.4 billion. That was only slightly below the $8.2 billion rate posted in the first quarter of 1981.

Total spending, on a seasonally adjusted annual rate, was $42.9 billion in the first quarter of 1982. That represents a 6% drop from the first quarter of 1981 and a 9% drop from the last quarter of 1982.

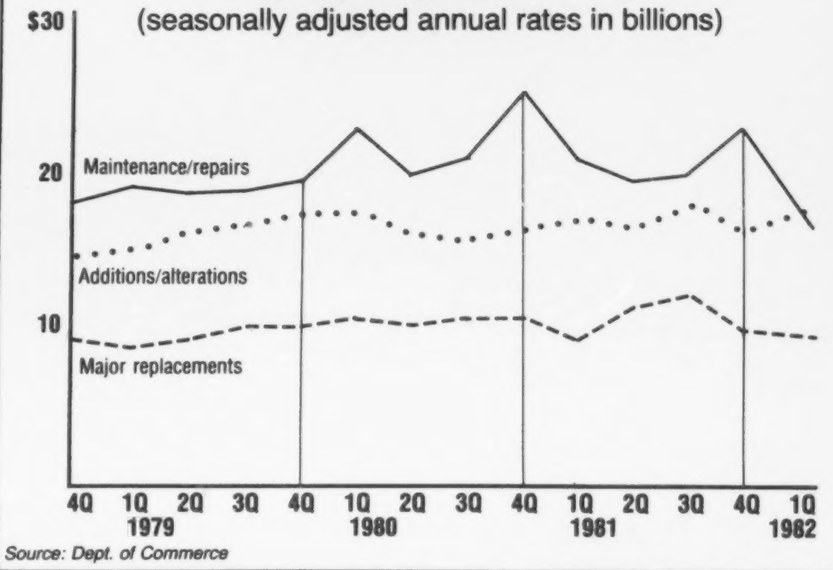
In actual dollars, property owners spent $4.8 billion in the first quarter of this year for maintenance and repairs, additions and alterations and major replacements.

Actual expenditures for maintenance and repairs were down about 20% with $1.4 billion in the first quarter of 1982 compared to $1.8 billion in the last quarter of 1981. More was spent on repairs in the first quarter of this year, however than last, when $1.3 billion was spent.

Actual spending for additions and alterations in the first quarter of 1982 ($352 million) were off by one-third compared to first quarter of 1981, while alterations ($1.4 billion first quarter 1982) were off nearly 40% in the same comparison.

Major replacements were off only 13.5% in the first quarter of this year ($812 million spent) compared to the first quarter of 1981 ($939 million).

Expenditures by residential property owners



Source: Dept. of Commerce

New permit law may cool sales of kerosene heaters in N.H.

By Tom Moloney
NHCN field editor

CONCORD, N.H.—Although license plates up here read "Live Free or Die," Granite State residents wishing to buy kerosene heaters for home use will now have to pay $2 to their local fire department for a permit, under a new law which went into effect May 22.

Before being issued a permit, applicants will be required to fill out a standardized questionnaire to prove that they understand how to use the heater properly. Although each local jurisdiction (about 300) will be able to set up their own permit program, it is unlikely that inspections of applicants homes will be required.

One potential problem for kerosene heater manufacturers under the new law is the requirement that heaters permitted for home use must be supplied with a siphon pump "or any similar device which facilitates the proper refueling of the heater."

A spokesman for the National Kerosene Heater Assn. said that "about 75%" of heaters sold in the United States are equipped with siphon pumps and that the New Hampshire law would only cause "administrative problems" for manufacturers of heaters with removable tanks.

According to Rosalie Hansen, executive director of the Retail Merchant's Assn. of New Hampshire, the law faced nearly universal opposition from fire officials. Hansen is convinced, however, that the public wanted it. "Yout can't legislate against a good product that will save people money," she stated.

A telephone survey of New Hampshire home centers revealed few stores currently carrying kerosene heaters designed for home use or planning to carry them next winter.

Dave Walsh, manager of the Plywood Ranch store in Manchester, carried the Kero-Sun line for two years but chose not to carry the heaters this past season following a state attorney general's directive to prosecute retailers selling the heaters.

"They really began to crack down at that time. I didn't feel carrying the heaters was worth all the potential legal and insurance problems," Walsh said.

Encouraged by the new law, he will "definitely" be back in the kerosene heater business in time for the 1982-83 winter heating season. As for the permit requirement, Walsh sees that as a form of "harassment," which won't affect sales.

"It's just a bone tossed to the volunteer fire departments, whose people don't seem to understand the technical innovations resulting in a very safe alternative heating source," he said, adding that he has been using one in his own home for the past three years.

Kurt Simmers, manager of

(Continued on page 38)

Home Depot raffles Ford pick-up

As of May 1, Home Depot, the Atlanta-based warehouse operation, began carrying Glidden paint. Until then Handy City had a corner on that brand in Atlanta's home center market. To celebrate the coup and annouce it to customers, Home Depot raffled off a Ford Ranger pick-up truck. Trucks, loaded with Glidden paint, were displayed prominently in the chain's eight locations.

LUMBER REPORT

Prices edge upward as mills extend closings

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—The big news during the past several weeks has been price, a sharp move upward in most commodities other than plywood.

Schept

The price shift has generally been attributed to anticipated mill closings which, before prices strengthened, were expected to extend beyond the normal two-week vacation shut down.

In addition, the demand for pulp and paper has weakened, at least in some areas. That factor has led to more mill curtailments and consequently less supply.

Housing starts, up substantially for May, may have contributed to demand and therefore prices. Also, the weather has been more hospitable.

Until now, however the higher prices at the mill have been passed on only gradually to customers at the retail level. Whether or not retail prices have been boosted and to what extent generally depends on the retailer's competition.

"It's a market-by-market situation," said Lowe's merchandising director Ken Moore. In Atlanta, a competitive market with Home Depot, Handy City, Wickes, 84 Lumber and West as well as strong independents like Williams Bros., Lowe's has been cautious about increasing prices.

"A customer would not like to pay $7.99 for plywood this week and $8.99 next," said Dwight Ford, who manages the Lowe's in Doraville, a northwestern suburb of Atlanta. "For the moment we're eating the price increases and seeing what's happening."

Prices have been particularly strong for Southern pine, especially treated products, driving prices to $212 per thousand board feet in June, a level not reached since the early days of 1980.

The higher prices have not affected product movement on the retail level, according to George Noel, lumber buyer for Rickel, the 31-store New Jersey chain.

He estimated that the cost of lumber has gone up about 10% overall and 20% to 25% for treated items. Rickel, in the competitive, Metropolitan New York market with Channel, Pergament and independents, has not increased its prices, however, Noel said.

"We felt prices would go up due to mill closures. Treated lumber prices have not increased at retail because of inventory," he said. "We took a position in the market."

Bernard Bernstein, president of Mid-State Lumber, a New Jersey distributor that services smaller yards as well as chains including 84 Lumber, said that so far his customers have not raised prices. But, he expects higher prices to filter down to the retail customer by August.

Whether higher lumber prices that finally enable mills to approach profitability are here to stay or are merely a glitch is a crystal ball question.

"My personal opinion is that it's a little breather," said Bernstein, who felt high prices would last as long as low production.

Maxey-Bosshardt, a $16 million distributor in Duluth, Ga., outside of Atlanta, is betting on low production.

The company is expecting an Aug. 1 shipment of 10 million board feet of Canadian lumber into Savannah harbor. Most of the cargo will be framing lumber, with about 3 million board feet of cedar.

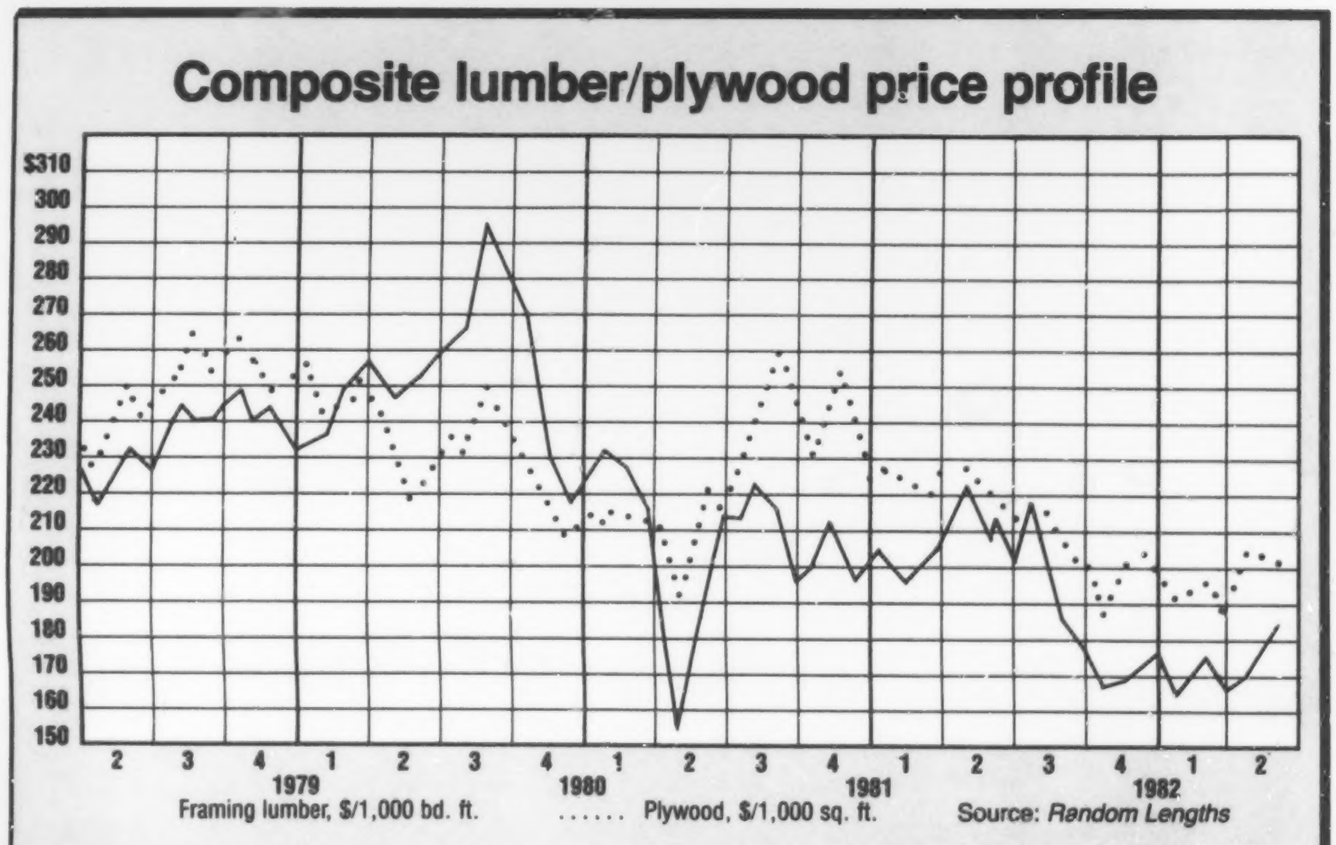
According to Weyman Maxey, president, it is the largest shipment of Canadian timber ever to the South, where such loads generally run around 3 million board feet or less, he said.

Maxey will be wiring $2.2 million to cover the cargo. He based his buying decision on the expectation that mills may remain down longer than usual this summer and that, this being an election year, some effort may be aimed at interest rates to stimulate building.

In addition, Maxey-Bosshardt last year purchased a large amount of Canadian cargo, gambling that a threatened strike would occur and make wood scarce. The strike happened; lumber was hard to get. Maxey hopes to again be in that position.

"I just thought there's not going to be much wood around this year," he said, adding, "I'm shooting craps."

Composite lumber/plywood price profile



Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

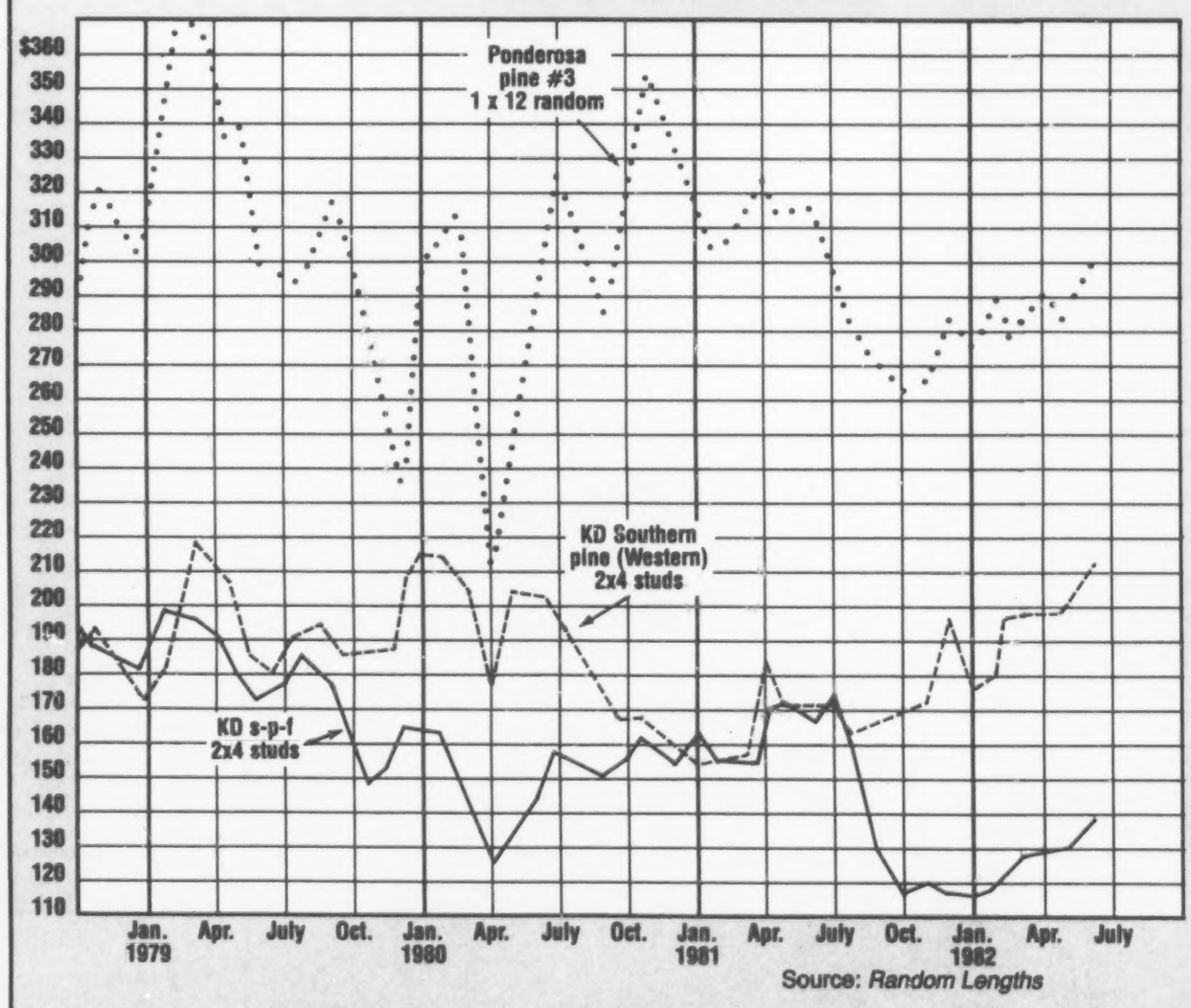
Anticipated short supply because of mill shutdowns for extended vacation periods combined with a slow paper and pulp market and other factors to drive lumber and plywood prices upward.

During June, framing lumber averaged $183 per thousand board feet and plywood averaged $202 per thousand square foot based on Random Length's weighted measure of nine framing and seven plywood key items.

Weyman Maxey, Maxey-Bosshardt president, is gambling on a lumber shortage this summer and fall.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Stud and board prices were up to levels not reached in about a year; in the case of Southern pine, to heights equaling peak prices of early 1980.

Southern pine 2x4 prices, which averaged $212 in June, continued to be fueled by East Texas building and by the considerable treated wood market.

Ponderosa pine 1x12 #3 reached $300 per thousand board feet in June on the strength of short supply. It was not clear that that price level could be maintained.

Prices for Western KD s-p-f 2x4's also rose steadily, with prices per thousand board feet about $137.

FUTURES

Two weeks ended June 25, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July	142.00	134.80	135.80	139.80	1,663	224.50	129.00
Sept.	141.60	131.60	134.60	135.80	2,170	229.50	131.60
Nov.	145.00	132.60	135.80	135.10	1,233	224.50	132.60
Jan. '83	152.00	139.10	142.80	140.80	422	205.50	139.10
March	160.00	146.80	148.90	148.10	139	209.80	146.80
May	164.00	152.50	153.50	154.00	133	202.00	152.50
July	170.80	158.00	160.50	163.10	133	201.00	158.00

Total Contract Vol. (Through 6/25): 22,816 — **Previous Two Weeks: 21,320**
Total Open Interest (As of 6/24): 5,910 — **Previous Week: 6,601**
Cash Price: $148.96 — **Previous Week: $149.94** — **Year Ago: $154.84**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
July	160.20	150.10	151.20	153.10	802	219.00	150.10
Sept.	161.50	152.00	154.00	154.80	888	224.50	152.00
Nov.	161.70	154.80	156.20	157.50	378	226.50	154.80
Jan. '83	167.00	157.00	157.50	159.30	252	218.60	157.00
March	170.00	162.50	162.50	164.90	51	196.30	162.50
May	175.00	168.50	168.00	169.00	5	194.20	168.00

Total Contract Vol. (Through 6/25): 4,424 — **Previous Two Weeks: 3,953**
Total Open Interest (As of 6/24): 2,376 — **Previous Week: 2,617**
Cash Price: $161.70 — **Previous Week: $164.64** — **Year Ago: $205.80**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	237.1	231.9	276.6

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 6/24/82.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

STOCK PRICES

	As of 6/23	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	21½	45½	19¾	6
Diamond Int'l (NYSE)	39¾	41¼	26¼	17
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	8	26½	7	9
Forest City (AMEX)	12⅝	19	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	35⅛	51	33⅜	4
Lowe's (NYSE)	14⅞	18⅝	10½	15
Payless Cashways (NYSE) [Furrow]	23¼	22¼	15¼	15
Scotty's (NYSE)	18	25⅞	15⅛	9
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9¼	22⅞	8¾	33

*$ in millions

Over-the-counter stocks

	As of 6/23 Bid	As of 6/23 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	9¼	10	14¾	7½
Hechinger	19	19¼	23	15¼
Hines Lumber	16	17	21	15
The Home Depot	17⅞	18⅛	19⅛	6⅛
Pay 'N Pak	12⅞	13	18	11⅝
Pay 'n Save	18	18⅛	29½	16½
Scotts Seaboard [Scott's]	1	1⅜	2¾	½
Wolohan Lumber	3½	3⅝	5⅛	3

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Forest City	4/30-1st qtr.	$ 49,900	$ 59,400	– 16	$275,000	– $1,575	—
Pay 'N Pak	5/31-1st qtr.	43,944	41,520	6	953,000	1,487	– 36
Payless Cashways	5/29-2nd qtr.	159,393	127,832	25	6,706	4,741	41

*$ in thousands

Scott's posts loss despite better sales

LINTHICUM, Md.—The successful opening of the 18th Scott's outlet in Pasadena, Md., (*NHCN*, May 24) could not offset the negative impact from a fire at the chain's Golden Ring, Md., store, bad weather and the recessionary economy during its first quarter ended May 1, company officials indicated.

Scott's units suffered a $209,000 operating loss in the period although sales rose from $4.4 million in the first quarter a year ago to $6.7 million this year. The current sales figure included $3.1 million from seven Frank's units acquired last year (*NHCN*, Oct. 26, 1981) and three other Scott's outlets opened within the last year, according to president Earl R. Halterman Jr.

Halterman, in a letter to shareholders, said parent company Scotts Seaboard has worked at developing its home center business in the Baltimore/Washington area in the last nine months.

It has completed capital improvements at its 10 new stores and has broadened Scott's advertising focus to include radio in addition to circulars and direct mail to support the growth, he noted.

Halterman also said the company has filed insurance claims for the losses from the Golden Ring fire and was uncertain if the store would be reopened.

Overall, Scotts Seaboard, with its wholesale millwork subsidiary, Seaboard Plywood and Lumber, had a $416,000 net loss on sales of $8.4 million in the quarter.

1st-qtr. net off 27% at Pay 'n Save

SEATTLE—A 0.5% decline in gross margin in its drug stores and home center division, including its 69 Ernst outlets, was a major factor in a 27% decrease in net income at Pay 'n Save during the company's first quarter ended May 1.

"This [gross margin] reduction was primarily attributable to aggressive promotional programs and selective purchasing of promotional merchandise by consumers during these difficult times," said Cal Hendricks, executive vice president of administration.

The company's net income for the quarter totaled $911,654 although its sales were up about 5% to $218,104,661. The volume figure included a "disappointing sales" period for the home center division, Hendricks said.

He added, however, that divisional sales in recent weeks have improved.

Hendricks indicated that increased cost-consciousness and continued moderation in expansion plans will combine to help Pay 'n Save meet objectives.

N.Y. proposes restrictions on sale-price ads

ALBANY—A bill making it illegal for a retailer to advertise merchandise as "on sale" unless the advertisement includes the original price has been passed by the New York State Assembly and sent to the State Senate.

If the bill becomes law, merchants will also have to state in the ads if the item has been previously offered at a reduced price.

The sponsor of the bill in the Assembly was Assemblyman Harry Smoler (D-Brooklyn), who was motivated to introduce the bill from personal shopping experience.

"Often I'd see a sign advertising a product as, for example, 'on sale—reduced to $19.95' with no indication of how much the customer would save if he bought the item. I think that's misleading," Smoler said.

Opposing the bill is the New York State Retail Merchants Assn. Peter Zimmerman, director of governmental affairs for the association, told *NHCN* that the bill was unrealistic and too easily circumvented.

"An unethical merchant will just misrepresent the prices in ads. It's the decent merchant who'll suffer in cost and time trying to abide by the law," Zimmerman said.

If the bill becomes law, Zimmerman sees the end of so-called "Blue Light Specials," instant sales announced in-store without prior warning.

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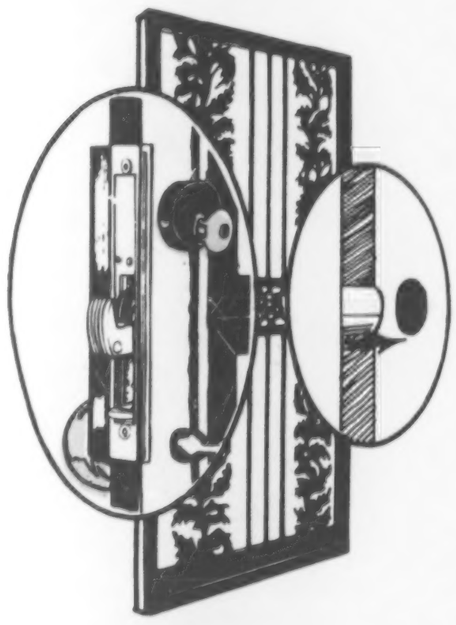

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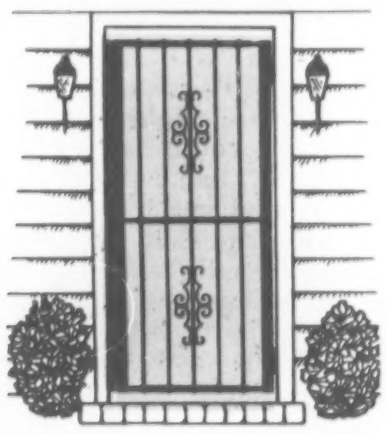

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National
Home Center News ®

Vol. 8, No. 16 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 2, 1982
$7 per year $2 per copy

The DIY home improvement, home center and building supply division at this month's National Hardware Show in Chicago's McCormick Place is expected to draw increased interest, but fewer home center chain representatives.

Expect fewer DIY execs at Nat'l Hardware Show

By Greg Puchalski *NHCN senior editor*

NATIONAL REPORT—Organizers of the 37th annual National Hardware Show, scheduled to open in Chicago Aug. 14-19, report that preregistration figures were running 20% ahead of a year ago, at presstime. However, DIY retailers admit they are sending fewer representatives to the show this year, largely because of the weak economy.

The economy, in fact, will be a major undercurrent in the decisions dealers make this month at the show, according to retailers contacted by *NHCN*.

(Continued on page 62)

Wickes' SEC report reveals extensive lumber closings

By Brad Altman
West Coast editor

SANTA MONICA, Calif.—More than one-quarter of Wickes' 339 lumber and home improvement stores—once the backbone of the company—will be sold or closed.

This was one of several dramatic disclosures in Wickes' delayed 10-K annual report for fiscal 1982 filed with the Securities and Exchange Commission.

Wickes revealed that it expects to get rid of "a substantial number, currently estimated at approximately 80" lumber and home improvement centers and home supply stores in the United States.

Jeffrey Chanin, Wickes' senior vp, told *NHCN* that the planned discontinued operations will occur among the 272 full-line Wickes Lumber Centers and five smaller Wickes Home Supply Stores. They are operated by Wickes lumber division in 38 states.

In contrast, Chanin said, at Irvine, Calif.-based Builders Emporium, "there are going to be virtually no units closed. Conceivably there might be one or two [closed]."

The magnitude of the massive Wickes Lumber closings—the timetable is still not clear—caught some industry observers offguard. Sanford Sigoloff, Wickes' chairman, ceo and president, told trade creditors at a Chicago meeting May 5 that Wickes Lumber had been cut by 11 stores and may lose another 30 (*NHCN*, May 24).

In its European home center-related operations, the 10-K said "several possible store closures are currently under review." As of March 31, Wickes operated 67 building and home supply centers in Britain and western Europe, compared with 19 only five years ago.

In addition, Wickes said, it intends to sell its Middle East International Group "as soon as possible." This consists of five building materials distribution centers, a warehouse, a manufacturing location and a small construction company in Saudia Arabia and in Kuwait.

Wickes also revealed that since May it has closed or is in the process of closing 12 of its 27-unit Wickes Furniture warehouse-showrooms. The company said it also plans to close at least 24 of the 124 retail furniture stores in its Leath division.

Wickes, however, didn't indicate any planned closings in Sequoia Supply lumber and building materials wholesaling division which operates 40 sales distribution centers in 24 states.

The 10-K reported Wickes is "seriously considering" the sale of 40 company-owned Gamble general merchandise stores in the Midwest and Rocky Mountain States.

(Continued on page 54)

Secondary mortgage market may help big-ticket sales

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Improved prospects for big-ticket financing appear to be glowing on the horizon as mounting participation in the secondary mortgage market is making more funds available for home improvements.

During the past few years, homeowners have increasingly turned to second mortgages, using the inflated equity of their homes, to finance expensive repair and remodeling projects.

That demand has spurred the development of a major secondary market in the past 18 months where lenders may sell the second mortgages they negotiate. Among those institutions buying the loan agreements are the Federal National Mortgage Assn. (Fannie Mae), the Federal Home Loan Mortgage Corp. (Freddie Mac), as well as Salomon Bros.

Because the growth of the secondary market is making it more desirable for some lenders to participate in the market, new funds are becoming available for lending for home improvement loans, and potentially at more competitive rates.

"In recent years the second mortgage market has become extremely important as a financing tool for homeowners and buyers," said Beth Van Houton, Fannie Mae director of public relations.

"Second mortgages generally have a shorter term and en-

(Continued on page 61)

Competition hurts margins

Deck demand drives up costs

NATIONAL REPORT—America's romance with decks has driven up retailer costs for treated lumber as much as 25% since January, but scrutinizing shoppers are forcing stores to sell the wood more competitively than ever.

"It seems that margins have dropped from last year," said Ed Linehan, merchandising manager at Plywood Ranch. "It's really too bad because the product moves so fast it's not necessary. Some retailers are giving the stuff away and they don't have to."

Plywood Ranch, the 20-store Massachusetts chain, carries treated 2x4x8's for $2.99 compared with $2.49 at Grossman's and $2.39 at Channel in the same area.

Pricing differs

Prices fluctuate according to the market, however. In north Jersey, where Rickel offers treated 2x4x8's for $2.49, Channel charges $2.59 and Grossman's sells them for $1.99. Home Depot charges $1.59 in Atlanta but $1.99 in Miami, where Lindsley gets $2.39, with a recent sale lowering the price to $1.79.

Most treated lumber is southern yellow pine #2 or better. However, the competitive need to get the best price point has probably resulted in bins with #3 mixed in at some chains, leaving the customer to select the best wood.

(Continued on page 62)

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8' x 8' WHITEWOOD
Size | 10' x 10' | 12' x 14'
CCA Treated | 204.78 | 388.40
Redwood | 241.84 | 434.58

Sutherland Lumber's answer to the growing price-point battle on decks and treated lumber is to promote an 8-ft. x 8-ft. deck for $104.32, made from untreated white wood. A comparable treated lumber deck costs $155.46.

NEWSBREAKS

CHASE-PITKIN PLASTIC. Chase-Pitkin, Rochester, has initiated a "$250+" charge plan for its customers who want to finance purchases of $250 or more. Arranged through Lincoln First Bank, the plan will make it easier for the nine-store chain to sell big-ticket items and projects, officials said.

STAGE SET FOR RECOVERY. Housing will improve modestly by year's end, with seasonally adjusted starts reaching a rate of 1.2 million units in the fourth quarter, according to a recent update of the 1982 Dodge/Sweet's Construction Outlook. Total starts in 1982 are expected to reach 1.08 million, 4% off from last year, while single-family starts should remain about even with 1981 at 675,000.

INSIDE

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DIY Industry update

Pay 'n Save revises mgt. plan

SEATTLE—Pay 'n Save has eliminated its 18-month-old merchandising department which combined buying, marketing and distribution for its Ernst home centers and Pay 'n Save drug stores at corporate headquarters.

Under a major management realignment announced late last month, Bill Boston, Ernst vp-gm, will now oversee advertising and merchandising functions in addition to daily operations of 68-unit Ernst, 12 Sportswest sporting goods stores and three Von Tobel's home centers in Las Vegas, Nev.

Joseph Christy, vp of the disbanded merchandising department, was named to the newly created post of vp-administration. He will continue to oversee the company's distribution activities. Stan Johnson, corporate merchandising director, has been promoted to vp in charge of Pay 'n Save drug stores' Northwest region. The job of corporate advertising director held by Pat Rao has been eliminated. Rao had not been assigned to a new position at presstime.

In other developments, M. Lamont Bean, chairman, president and ceo, announced he has relinquished his title of president to E. Ronald Erickson, who was executive vp-operations. Erickson was named president and coo. Calvin Hendricks, executive vp-administration, was named board vice chairman and chief financial officer.

McNulty new No. 2 at Neiman-Reed

SHERMAN OAKS, Calif.—Former W. R. Grace executive Robert McNulty has taken the No. 2 post at 13-unit Neiman-Reed's Lumber City headquartered here.

McNulty

Robert Neiman, the home center chain's president and ceo, said McNulty will replace Gary Nelson as executive vp and chief financial officer. Nelson resigned "for personal reasons and to pursue other interests," Neiman said.

McNulty, whose first day on the job was July 19, "might wind up as president with me as chairman," Neiman disclosed, adding that the company chairmanship has been vacant since his founding partner, Bob Reed, died last Dec. 10.

Neiman, 63, said it is likely he will retire within six years, creating "an opportunity for Bob McNulty to become ceo and run the United States operations" for UBM Group of Britain. UBM bought 51% of Neiman-Reed's stock last July and has an option to buy the remainder in 1986.

No surprises at Wickes meeting

BEVERLY HILLS, Calif.—What was ballyhooed as one of the most important events in Wickes' history—the July 13 meeting here between management and representatives of four creditors' committees—turned out uneventfully, according to participants contacted by *NHCN*.

Richard Daniel, senior vp of Security Pacific National Bank, the lead bank on the Wickes Corp. committee, said the two-day meeting at the Beverly Wilshire Hotel resulted in "nothing surprising." Approximately 200 committee members, accountants and lawyers were given "expanded information" by Wickes officials on the company's operations since its 10-K was filed, Daniel reported. He characterized the materials as nothing "that would tickle anybody's imagination."

Unlike the June 3 creditors meeting attended by more than 1,000 persons in Los Angeles, the news media was excluded from this meeting.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 16 August 2, 1982

Survey projects 11% rise in DIY volume in 1983

COLUMBUS, Ohio—A recent study has projected that real sales in the home improvement industry will expand more than 11% in 1983 over this year's volume, resulting from a slightly improved economy, the recent drop in inflation and a reduction in inventory liquidation at the retail level.

However, home center retailers will have to endure a projected 5% decline in the real sales of durable goods in 1982, according to a recently released "Retail Outlook" survey done by Management Horizons.

The study's author, Jim Newton, estimated that real sales (based on unadjusted year-to-year comparisons) throughout the retail sector will decline during the current and third quarters, but that for the last three months of 1982, a reversal in this pattern will take place, with real sales increasing between 2%-2.5%, that should bring the year to about 1% below 1981 sales.

Newton was extremely optimistic about this fourth quarter turnaround's effect on the 1983 economy, where he calculates real retail sales expansion of 5.5%-6% over 1982 volume.

In addition to the predicted sales increases in home centers during 1983, the survey also projected that the sales performance at furniture and home furnishings outlets would rise about 9% above 1982 revenues. Overall, real durable good sales will decline by 2% in 1982 and rise "very rapidly" by over 10% in 1983.

Nondurable goods will be less volatile, and will suffer only a modest slowdown in 1982, while reviving in 1983. According to Newton, drug and proprietary stores will continue to experience negative year-to-year real sales results, due in part to the relatively high inflation rate in those industries.

The study also made predictions about the Canadian market which were considerably more dismal than those for the United States. Newton saw real sales dropping 7%, 4% and 1% for the first three quarters in Canada, with a very slight upswing in the fourth quarter. He predicted real retail sales to increase by 3.2% in 1983, but warned that these figures were compared to a "very poor performance during 1982."

On the whole, while Canadian apparel retailers should experience some advances in sales and margins, the survey found very little to cheer about in that country's department, variety, hardware, jewelry or home furnishings sectors. "Each of these store types will see real sales decline by at least 3%."

Fast-turning fare featured in HWI's "Do It" labeling

FORT WAYNE, Ind.—Hardware Wholesalers Inc., the 2,500-member hardware cooperative, has been selecting "high quality, competitively priced" merchandise from its 33,000 sku's for labeling with its new "Do-It" logo.

Over the next several months, HWI plans to have products with the "Do-It" private label represented in every product category. In addition, the company will be tying this merchandising effort in with its development of "Do-It" retail outlets, although the product label will be available to all its members.

According to vp-marketing Paul Smith, "Do-It" will be placed primarily on the "better" products in its good, better, best spectrum and member-dealers can anticipate maintained margins 10 percentage points higher on these items over what they normally get on merchandise purchased from the $485 million co-op.

"The 'Do-It' logo will not supersede our 'HWI' private label, simply because this kind of pricing and promotion isn't suited to every product we sell," Smith explained.

Currently, the "Do-It" label is on about 200 sku's in 25 product categories, ranging from fertilizer, driveway and roof sealant, light bulbs, 2-gal. paint cannisters and paint sundries, including the six sku's of paint brushes that generate 65% of HWI's brush sales.

The co-op has just introduced a garden hose with the "Do-It" logo that is red and yellow, the

(Continued on page 62)

Signs using the new "Do-It" logo of Hardware Wholesalers Inc. are hung over both entrances at Central Texas Hardware, the 54,000-sq.-ft. store that was converted from an old Sears. HWI photo

Designed for small-firm heads

NLBMDA offers computer program

By Molly Brauer
NHCN field editor

WASHINGTON—The NLBMDA has developed a computer program, called "The Presidents' War Plan," to help small-company presidents improve financial decisions.

The association offers the plan in conjunction with estimating and price-book software, and will introduce the new program at the NLBMDA convention Nov. 17 and 18 in Orlando, Fla.

The program was designed by a relative newborn in the computer software business, Management Blueprint Software of Los Gatos, Calif. The firm was founded by former IBM employee Bob Garzee less than two years ago.

Garzee approached NLBMDA with a proposal to develop a special software and education package to teach lumber and building material presidents how to do business planning on a personal computer using data from their own balance sheets.

After interviewing 51 national associations, Garzee concluded that the pre-eminent concern among wholesale and retail distributors is financial understanding for people with sales backgrounds.

When the NLBMDA agreed they were interested in a financial management program for their members, MBS developed a program aimed at $500,000 to $20 million companies, the rationale being that companies above the $20 million mark have financial staffs and computers.

Garzee contends that "medium and small companies have the same problems as large companies, but they aren't privy to the same tools," pointing out that "major corporations spend millions of dollars on computer-based management information systems so senior executives can base decisions on quantifiable data."

"The Presidents' War Plan" incorporates many special analytical features aimed at financial decision-making in the lumber and building supply industries.

The software program can forecast sales in 25 categories specified by individual lumber and building supply dealers. It breaks down lumber expenses into 12 categories, and works up an expense forecast 12 months out.

For profit and loss, balance sheet and cash flow, the program allows the computer to project those areas 12 months down the road.

Garzee explains, "Accountants can make the same projections by putting in 40 hours a month for a year."

The forecasting capabilities of the program are backed up by a special "What If" program that allows users to factor in conditions such as interest rate fluctuations, sales increases or decreases, or inventory expansions or cutbacks.

For example, if a dealer wanted to know what would happen if he doubled his stock of plywood, the program would project the effect on sales and margins.

The computer can analyze a company's business and quantify the results in 51 ratios

(Continued on page 61)

LUMBER REPORT

WWPA: Solid board paneling gains popularity

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Solid board paneling is becoming increasingly popular among consumers looking for paneling, reflecting the fact that consumers seem willing to pay a premium for products that look authentic.

Schept

That's the conclusion of a recent field survey by the Western Wood Products Assn. that explored regional variations in paneling appeal.

Solid wood paneling has luxury appeal compared with plywood-veneer prefinished panels which may be out-of-date, noted a dealer interviewed by the WWPA.

"Now every mobile home in the country has prefinished wall paneling, which has downgraded the image of wood paneling in the eyes of the public," he said.

Regional tastes in solid board paneling vary significantly. In the Southeast packaged Ponderosa pine is used, as is cedar and redwood, according to the WWPA.

Florida is strong in redwood and cedar. Cedar is generally found in No. 3 or better and redwood in clear, all heartwood.

In the Atlanta market, cedar is used. New homes sometimes come decorated with unfinished birch.

Contents of the mix

According to the WWPA, home centers in the upper Midwest generally stock a couple of prepackaged thin boards as well as a limited selection of 1x6 and 1x8 ponderosa pine or Western red cedar.

"The use of solid sawn lumber paneling continues to make inroads against 4x8 sheet goods in the Chicago market area," the report notes. "The general consensus is that sheet goods have become boring or passe and the homeowner/consumer is looking for something new and different."

However, since the consumer is used to the 4x8 solid sheet, most solid board packaging attempts to provide coverage close to the same square footage. Chicago-area home centers, for example, carry 1x4, 1x6 and 1x8, ¾-in. solid pine, shrink wrapped into bundles of 32 sq. ft.

Species generally available in the Chicago area include Western pine, cedar, redwood, Canadian spruce and local hardwoods like aspen.

Aspen is predictably also popular in Colorado as is cedar and ponderosa pine. Pine and cedar are preferred in channel rustic patterns, while aspen is sold tongue and groove.

In California 4x8 sheets continue to dominate, although shrink-wrapped solid board paneling is gaining favor with DIYers, particularly ponderosa pine, redwood, Western red cedar and incense cedar in reversible tongue and groove patterns.

Solid wood paneling is particularly catching on in the San Francisco Bay area, where affluent consumers overwhelmingly chose redwood.

Of the markets surveyed by the WWPA, only Houston was not receptive to solid paneling.

"Some home centers have tried stocking some of the prepackaged panels, but they are not good movers," the report notes.

Homeowners in this market prefer wallpaper, according to the WWPA.

Development anticipated

Light woods may soon be "in," according to the report. While DIYers are not specifying light woods, designers are. The report notes: "The do-it-yourselfer who is not buying sheet goods may try some of the strip products or thin, end-matched tongue and groove."

If lighter wood or other solid board paneling were to catch on with homeowners, the market would be considerable. Now, according to the recent *NHCN*/NAHB survey, paneling is predominantly favored by the owners of older homes (*NHCN*, July 5). Among homeowners in pre-1940 dwellings, 12.2% bought paneling in the past 12 months compared with 7.8% of those in homes built since 1970.

However, solid wood paneling probably appeals mostly to the owners of newer homes: the younger, more affluent, customers who generally have not seen wood as a wall decor alternative.

The product's potential, it seems, is not with the traditional paneling market, but with a larger DIY segment that has more money to spend.

PEOPLE
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National Home Center News

Burlington cuts rates to boost Southern trade

ST. PAUL—Burlington Northern Railroad has launched a six-month rate reduction aimed at boosting its lumber, plywood and particle board shipments from the South and Southwest.

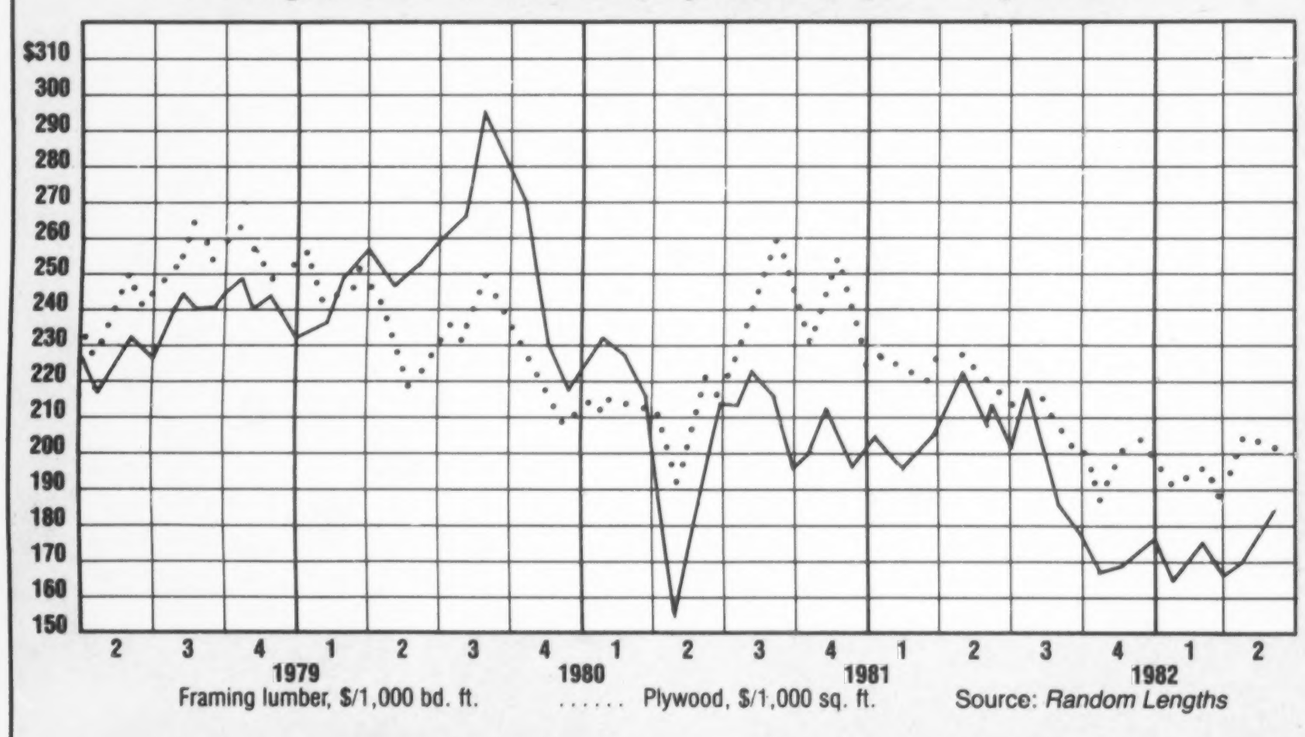
The special rates are structured on a per-car basis rather than the normal 100-weight. This format is intended to encourage shippers to load heavier and therefore attain savings of about $400 per boxcar, a Burlington spokesman said.

In addition, some diversions from planned destinations are allowed without extra charge. Switching costs, $80 to $250 per car, will be absorbed by the railroad.

A Birmingham, Ala.-to-Chicago shipment will cost $1,430 per 50-ft. boxcar, for example. Each car holds about 150,000 lb.

The changes affect loads originating in Oklahoma, Arkansas, Tennessee, Texas, Alabama, Mississippi and Florida bound for northern Colorado, Illinois, Iowa, eastern Wisconsin, northern Missouri, northern Wyoming, Nebraska and the Dakotas.

Composite lumber/plywood price profile



Framing lumber, $/1,000 bd. ft. ..... Plywood, $/1,000 sq. ft. Source: *Random Lengths*

The strong upward surge in lumber prices during the past few weeks seems to be leveling despite mill shutdowns. Treating plants had purchased large quantities and now seem to have what they need.

During June framing lumber averaged $183 per thousand board feet and plywood averaged $202 per thousand square feet based on Random Length's *weighted measure of nine framing and seven plywood key items.*

FUTURES

Two weeks ended July 9, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
July	143.00	134.50	142.60	138.10	817	224.50	129.00
Sept.	144.20	132.50	144.20	138.80	2,481	229.50	131.60
Nov.	144.70	134.20	144.70	139.50	1,311	224.50	132.60
Jan. '83	150.40	141.30	150.40	146.70	440	205.50	139.10
March	156.50	147.50	156.50	151.90	148	209.80	146.80
May	161.50	151.50	161.50	158.00	138	202.00	152.50
July	168.00	160.30	168.00	165.00	139	201.00	158.00

Total Contract Vol. (Through 7/9): 13,082 — **Previous Two Weeks: 22,816**
Total Open Interest (As of 7/8): 5,493 — **Previous Week: 5,632**
Cash Price: $144.06 — **Previous Week: $145.04** — **Year Ago: $163.66**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
July	157.80	151.10	157.00	155.00	140	219.00	150.10
Sept.	160.50	153.50	160.30	157.80	1,018	224.50	152.00
Nov.	162.90	156.00	162.80	160.30	402	226.50	154.80
Jan. '83	164.00	158.00	164.00	161.80	289	218.60	157.00
March	169.00	163.50	169.00	166.80	41	196.30	162.50
May	170.90	168.20	171.50	170.90	3	194.20	168.00

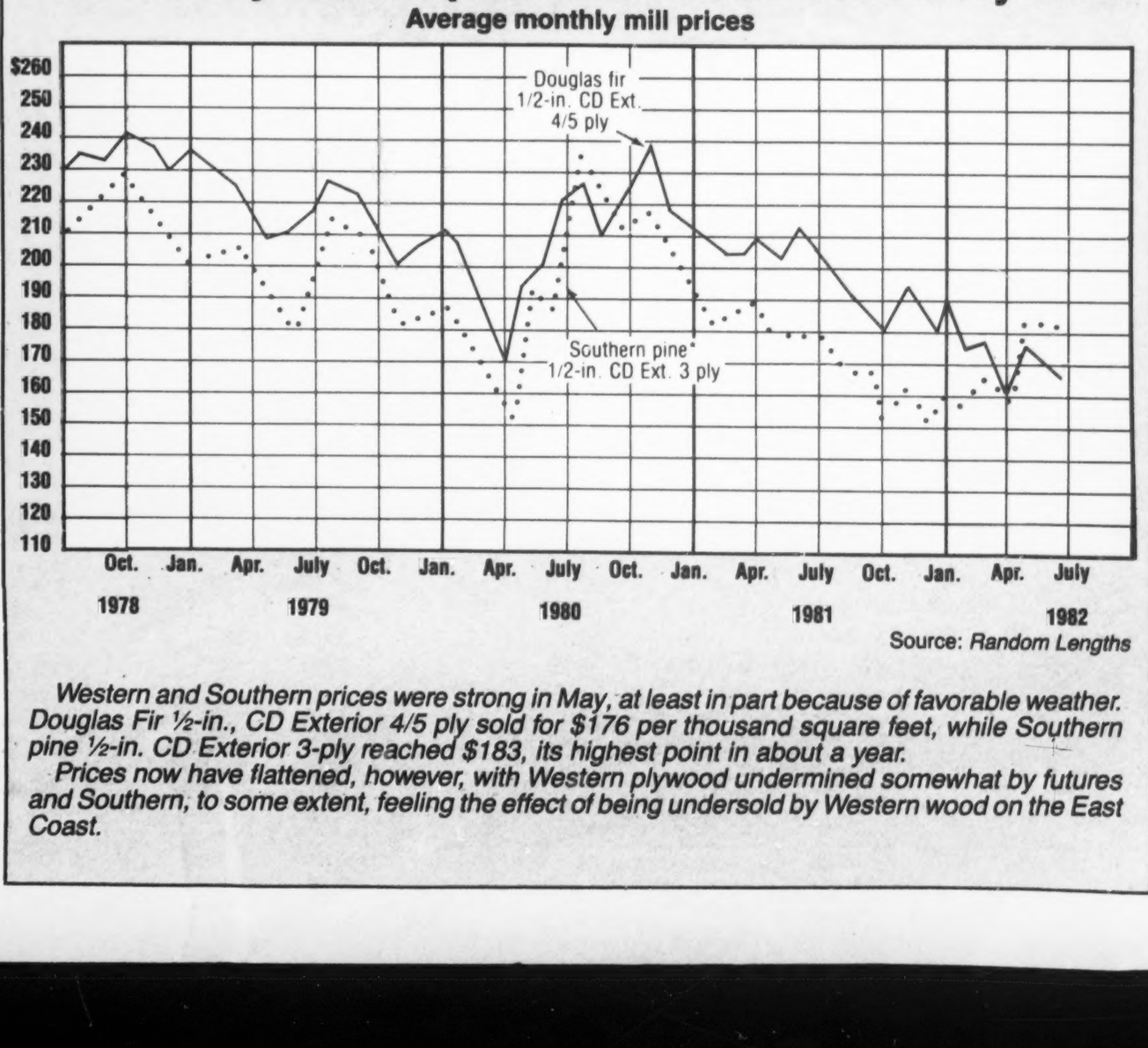
Total Contract Vol. (Through 7/9): 3,296 — **Previous Two Weeks: 4,424**
Total Open Interest (As of 7/8): 1,893 — **Previous Week: 2,112**
Cash Price: $159.74 — **Previous Week: $160.72** — **Year Ago: $201.88**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	240.5	239.1	272.7

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, July 8, 1982
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

Western and Southern prices were strong in May, at least in part because of favorable weather. Douglas Fir ½-in., CD Exterior 4/5 ply sold for $176 per thousand square feet, while Southern pine ½-in. CD Exterior 3-ply reached $183, its highest point in about a year.

Prices now have flattened, however, with Western plywood undermined somewhat by futures and Southern, to some extent, feeling the effect of being undersold by Western wood on the East Coast.

FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Rickel	5/1-1st qtr.	$44,333	$39,983	11	—	—	—
Scott's	5/1-1st qtr.	6,743	4,434	52	– $209**	$187**	—

*$ in thousands
**operating income

Payless 2nd-qtr. earnings up 41%

KANSAS CITY, Mo.—Substantial sales increases, control of operating costs and relatively steady prices contributed to a 41% increase in net earnings at Payless Cashways in its second quarter ended May 29, company officials reported.

Net income rose from $4.7 million in the quarter a year ago to $6.7 million in this year's period while total revenues increased 25% to $159.5 million compared to last year.

Sales at the chain's units opened at least one full year increased 12% in the second quarter compared to the same quarter in 1981, officials said.

The effect of LIFO (last in, first out) accounting on earnings per share in the period was 4¢ compared to 7¢ a year ago. Company president David Stanley explained that the lower accrual rate reflects the company's expectations for the year, based on lower inflation in the price of goods experienced so far in 1982.

"We are particularly pleased with these results as they tend to confirm a growing need for the products and services we offer, even in a period of generally poor business conditions," Stanley noted.

In other developments, Payless has been added to Standard & Poor's credit watch as a company whose debt rating may improve in the near future.

The 91-store chain is also offering 1,250,000 shares of its common stock at $22.50 each to help finance its store expansion program. The company will bring its total store count to 100, including two recently purchased Brookhart's stores in Colorado Springs, by the end of the fiscal year in November.

A million of the shares are being issued by the company while the rest is being sold by former chairman and current director V. W. Furrow.

Payless currently has 11.6 million shares outstanding.

Pay 'N Pak's net dips in 1st qtr.

KENT, Wash.—Competition and the closing of auto and sporting goods departments in six of its stores contributed to a 36% decline in net income at Pay 'N Pak in its first quarter ended May 31, officials reported.

Earnings fell to $952,802 while sales rose 6% from the same quarter a year ago to $43,944,081.

"Our earnings were hurt by our need to be more competitive pricewise in today's difficult economic environment," Pay 'N Pak chairman and ceo David J. Heerensperger said.

The chain, which added three stores in the quarter to raise its total to 90, announced earlier this year that it would eliminate automotives and sporting goods in 11 of its largest units and replace them with lumber items (*NHCN*, Feb. 15). Markdowns in the eliminated areas put additional pressure on profit margins, according to Heerensperger.

Sales at Lowe's rose 6% in June

NORTH WILKESBORO, N.C.—Retail sales increased 14% and builder volume dropped only 3% to give Lowe's a 6% gain in total sales in the four-week period ended June 26 compared to the same period last year, company officials said.

Lowe's overall volume in the period totaled $83.7 million, achieved through $47.6 million in retail activity and $36.1 million in contractor trade, they noted. The business gave the chain, which opened its 232nd unit in Whitesburg, Ky., in June, a 57:43 consumer-contractor ratio for the month.

PEOPLE

every issue
in

National Home Center News

STOCK PRICES

	As of 7/7	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	22¾	43⅜	19¾	7
Diamond int'l (NYSE)	39	41¼	26¼	17
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	7½	26	7	8
Forest City (AMEX)	12⅞	18⅛	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	32¾	51	32⅛	4
Lowe's (NYSE)	14¾	18½	10½	15
Payless Cashways (NYSE) [Furrow]	22⅜	23⅜	15¼	14
Scotty's (NYSE)	19⅛	24¾	15⅛	9
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9	20¾	8¾	32

Over-the-counter stocks

	As of 7/7 Bid	As of 7/7 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	8¾	9½	14¾	7½
Hechinger	18⅝	19	22⅜	15¼
Hines Lumber	16	17	20½	15
The Home Depot	18⅝	18⅞	19¾	6⅛
Pay 'N Pak	12¾	13	17¼	11⅝
Pay 'n Save	17	17⅛	27⅝	16½
Scotts Seaboard [Scott's]	1	1⅜	2¾	½
Wolohan Lumber	3½	3⅝	5¼	3

EVERY SHEET IS PURE GOLD!

Waferboard isn't just a flash in the pan. It's the hottest wood product on the market.

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But while they're saving money, you can be making more of it. Just keep your yard stocked with plenty of Waferboard. As the word spreads about Waferboard's quality, flexibility, consistency, durability and economy, you'll be selling more and collecting bigger profits. And we can deliver as much Waferboard as you can sell because we have two eastern mills producing it around the clock. Yep. Waferboard is here to stay.

One more thing. You may see all kinds of waferboards out there. But there's only one Waferboard. Ask for it by name because it is our name.

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Hardware Industry Week

Special show section: Merchandising '82, Pp. 19-94

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National
Home Center News ®

Vol. 8, No. 17 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | August 16, 1982 | $7 per year | $2 per copy

Sears plans to drop building supply inventory

By John Caulfield
NHCN associate editor

CHICAGO—Sears, the 851-unit, $18.2 billion giant that sold an estimated $4.5 billion-$5 billion worth of home improvement fare in 1981, plans to discontinue stocking roofing, insulation, siding and other building products in its warehouses, while maintaining minimal inventory in its stores.

"In merchandising building materials, Sears is no longer selling the product, but the [installation] service," observed Jack Sydell, a former Sears' general merchandise program director who currently manages a West Building Materials unit in Marietta, Ga.

In the past, authorized contractors hired by Sears to install these products for consumers bought their materials mainly from Sears directly through the firm's "Installed Home Improvement" program, which accounted for an estimated $700 million to $1 billion in business last year.

You Can Trust Your House to Sears
LET SEARS AUTHORIZED INSTALLERS PERFORM THESE PROFESSIONAL INSTALLATIONS...
Installed Siding
Blown-In Insulation
Textured Ceiling

Sears plans to discontinue stocking roofing, siding, gutters and insulation, relying instead on displays to sell installation services rather than merchandise. NHCN photo

Now, it appears Sears will rely primarily on space-conserving in-store displays to promote the products, and allow the contractors to purchase the commodities wherever they can get the best price. Sears, however, will continue to honor its guaranteed warranty on all installed jobs arranged for its customers.

"It's cheaper in every regard to have contractors make the commodity buys," said one former high ranking Sears executive familiar with its corporate merchandising strategy. "The stores just don't have the room to display those bulky products like home centers." (Sears home improvement departments take up only about 10,000-12,000 sq. ft. in units that average 158,637 sq. ft.)

In the past, the sale of commodities has been very lucrative for Sears. In 1978, according to one roofing manufacturer source, the chain sold $30-$40 million in roofing alone, but it now appears any future revenue Sears generates from building materials will come from

(Continued on page 117)

Home center approach gains wider acceptance

As American homeowners increasingly choose home centers for their repair and remodeling needs, more hardware stores and lumberyards are finding the need to move toward that format in order to survive and grow. In the heartland of America, Kansas City perhaps typifies this trend, as *NHCN* reports in this special Hardware Show issue on merchandising in 1982. Story begins on page 19.

The success of the home center approach, in fact, has had an effect on the way most home improvement products are now merchandised: Hardware Wholesalers Inc., is converting some of its member units into home centers (page 28); lumberyards are displaying more material inside (page 35), and the forest product industry is struggling to fit the DIY market (page 50).

Pay 'n Save returns ad functions, merchandising to division level

By Brad Altman
West Coast editor

SEATTLE—Pay 'n Save officials are grappling with a tough retailing question: Can they move toward a centralized decision-making process at corporate headquarters without abandoning the old axiom that "merchandising demands people who understand merchandise"?

The tentative answer: "Apparently, not yet."

Last month, the 251-store retailer eliminated its 18-month-old merchandising department which was responsible for the merchandising and advertising for three Pay 'n Save divisions—Ernst home centers, Pay 'n Save drug stores and Sportswest sporting goods stores. In essence, Pay 'n Save has returned merchandising and advertising functions to the divisional level—where they were handled before the corporate-level department was established in February 1981.

This strategy means that Ernst gm and vp Bill Boston now has complete responsibility for the home center division, an expansion of what had been "day-to-day operations" duties.

By going full circle, it appears that Pay 'n Save concluded that its centralized system was not the total solution to improving merchandising controls. Company officials prefer to describe it as a learning experience.

"There were a lot of little problems but nothing that was really a disaster," said one insider when asked to sum up the merchandising department's accomplishments.

Company officials acknowledged that centralizing merchandising functions in a company used to strong divisional autonomy was not easy.

Stan Johnson, for instance, in

(Continued on page 118)

Mortgage investments on the rise

Pension funds may revive housing

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Pension funds represent the nation's largest source of investment capital, about $700 billion.

While it is estimated that only 2% to 3% of that money is invested in home mortgages, the trickle has increased noticeably, with many millions of dollars in retirement funds flowing into mortgage pools just over the past few months.

Since each $700 million in mortgages may result in roughly 10,000 additional housing starts, according to Smith Barney Harris Upham analyst Barbara Alexander, the potential impact on the beleaguered housing industry could be considerable, at least over the long run.

In May, the Chicago District Council of Carpenters placed $10 million in pension money into mortgages. Massachusetts invested $28.5 million in June, the same month the New York State Teacher's Retirement System initiated the first half of a $60 million mortgage program.

In addition, the Oregon Public Employees Retirement System plans to add $100 million to the $400 million in currently held mortgages; the Teamsters have proposed an $18 billion investment in below-market-rate mortgages, and New York City may add $528 million to the $24 million it already holds.

This heated activity has been stimulated primarily by

(Continued on page 118)

City of Hope fundraiser garners industry support

By Greg Puchalski
NHCN senior editor

CHICAGO—Some call it a phenomenon.

While home center and hardware industry executives have congregated here for the 37th annual National Hardware Show, nearly 1,000 are expected to take time out Tuesday evening, Aug. 17, and spend $200 a piece toward the City of Hope—a charity that has begun to take a special place in the industry.

Sponsored by the hardware/home improvement industry council for the City of Hope National Medical Center, Duarte,

(Continued on page 4)

Grace home center president Frank W. Denny will be honored by the hardware/home improvement industry council of the City of Hope.

NEWSBREAKS

INSTALLED SALES EXPANDED. Handy City added an installed sales program in its Atlanta market on July 27. About 30 items are included, such as water heaters, garage door openers, tub enclosures, ceiling and attic fans and storm windows. The Southeastern Grace chain already offers installed sales in Birmingham, and Huntsville, Ala., and Tallahassee, Fla., and may expand the program to even more markets.

INSIDE

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DIXIELINE uses BE-bound stock in three-day parking lot sale 3
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DIY Industry update

Chandler's trims 4,000 sku's

VAN NUYS, Calif.—Chandler Home Center is in the process of eliminating at least 4,000 sku's of its 24,000-item inventory.

The purpose: to increase sales per square foot and to get an average of four stock turns per year, said Frank Karamas, merchandising manager.

Chandler's inventory now totals about $1 million and "we're looking to cut that by $200,000 if we can," Karamas said. He added: "We find that about 20% of the items do 80% of the volume. Those are the 'A' inventory items. We're eliminating our 'D' and 'E' items and looking at the 'C' items—saying do we need this to maintain our image?"

Merchandise lines eliminated so far include patio furniture and barbecues. Reduced sku's are in DIY books (from 20 to 8 running feet), security alarm systems and locksets.

C-P initiates $250+ charge plan

ROCHESTER—Chase-Pitkin customers wanting to charge purchases of $250 or more won't need to turn to their MasterCard or VISA cards any more. Instead, they can use their Chase-Pitkin cards.

The nine-unit chain has introduced a "$250+ Charge Plan," offering financing on high-ticket purchases.

"The $250+ Charge Plan will give us much greater opportunity to sell higher priced items and larger projects," a Chase-Pitkin flyer describing the program said.

From the customer's standpoint, the plan should make it "easier to purchase higher ticket items," according to the flyer. It should also keep his VISA and MasterCard charges from nearing or exceeding credit limits, thus prohibiting smaller purchases, chain officials said.

Chase-Pitkin is working with the Rochester division of Lincoln First Bank, which is handling all credit approval and billing on the card. If accepted for the program, a customer receives a temporary, paper card two to three days after applying and a permanent plastic card later.

Each purchase under the plan must total $250 or more, including tax, and may comprise one or more items.

Western Show board named

CHICAGO—An advisory board of 16 manufacturing and retail home center executives has been formed to organize the new regional Western Home Center & Building Materials Show, to be held in Anaheim, Calif., Oct. 21-23, 1983.

The board, which includes nine executives from home center operations, will hold its first meeting on Sept. 21 in Anaheim, to discuss such topics as selection of speakers and the show's seminar program. The assembly will meet one more time prior to the show's opening, and twice annually thereafter. Each board member will serve a three-year term.

The board members are:

John Bates, pres., Westmark & Assoc., Irvine, Calif.
Bill Boston, vp and gm, Ernst Home Centers, Seattle.
Stuart Clifton, vp and gm, Triad Systems, Sunnyvale, Calif.
David Cutler, editor and publisher, *The Merchant Magazine* and *Building Products Digest,* Newport Beach, Calif.
A. E. Eggly, vp-sales and mktg., Allegretti & Co., Chatsworth, Calif.
Richard A. Falk, vp mktg., California Hardware, City of Industry.
Michael O'Malley, president and gm, Mallco Lumber, Phoenix.
Norman Fox, vp, Handyman, San Diego.
Fred Pinnell, incoming pres., Chandler, Boise, Idaho.
Frank Purcell Jr., pres., Builders Supply of Palm Springs, Calif.
William Ruddick, gm, Simpson Building Supply, Seattle.
Felix A. Sanchez, chrm., Hacienda Home Centers, Albuquerque.
William B. Simmonds, nat'l accts. mgr., Weyerhaeuser, Tacoma.
Roy Tindula, gm, Futura Home Products, Clearfield, Utah.
Sid Voorhees, partner, Eugene Planing Mill, Eugene, Ore.
Tom W. Watt, pres., Brookhart Building Centers, Colorado Springs.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 17. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 17 August 16, 1982

Wickes' Swies named prez in BE management shuffle

SANTA MONICA, Calif.—Wickes has announced a new management structure for its 62-unit Builders Emporium chain that sharply reduces the responsibilities of Wickes veterans Anthony Swies and Bill Teachout.

BE's top executive realignment is the first major change in operational personnel at a Wickes subsidiary since the retailer filed for reorganization under Chapter XI of the Federal bankruptcy law April 24.

Swies was named president of BE while Teachout, the chain's former gm, was named executive vp. Both positions are newly created.

Before the change, revealed in late July, Swies was a Wickes group officer and senior vp, overseeing BE, 850-unit Gambles, 69-unit Rasco and 53-unit Toy World.

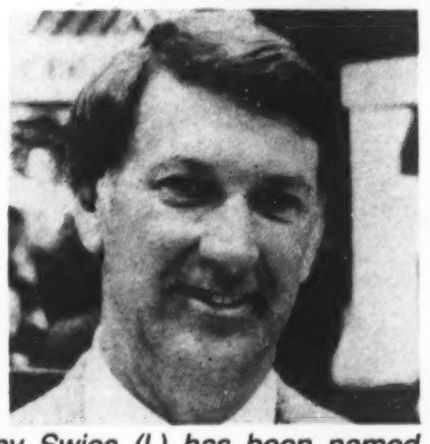
As executive vp, Teachout will have responsibility for the areas of merchandising, marketing and distribution, and three BE officials who formerly reported to him will now report to Swies.

The BE officials are Martin R. Bocola, vp-operations; Ronald P. Maccarone, vp-finance, accounting and systems, and Richard L. Morphet, vp-human resources.

Robert Craves, formerly vp-general merchandise manager, was named to the newly created post of vp-marketing. He will continue to report to Teachout.

In a statement, Jeffrey Chanin, Wickes senior vp, said "the added management emphasis at BE is indicative of the growing importance that the chain will play in Wickes' future."

Chanin added: "Tony's overall management skills, combined with Bill's ability to now concentrate on the merchandise-related end of the business, should give added strength to the new management group and provide a new dimension to the goals that BE can achieve."



Wickes' former group vp Anthony Swies (l.) has been named president of Builders Emporium, with the chain's former gm Bill Teachout (r.) becoming its executive vp. NHCN photos

Some industry observers commented that Wickes has, in effect, created a self-contained unit by putting in place a "workable management team" at the Irvine, Calif.-headquartered home center chain. Noting Wickes' persistent statements that BE is both profitable and growth-oriented, one observer theorized "it could be just a bunch of hype to make BE more profitable when they sell it."

Wickes, for the moment, indicated there was no such plan.

BE is undergoing an extensive renovation and remodeling program of its older units

(Continued on page 118)

C.P.S.C. strikes settlement with paint sprayer mfrs.

By Laura Woda
Washington correspondent

The Consumer Product Safety Commission struck a provisional settlement with major manufacturers of galvanized steel, air-compressed home and garden sprayers charged with selling defective products.

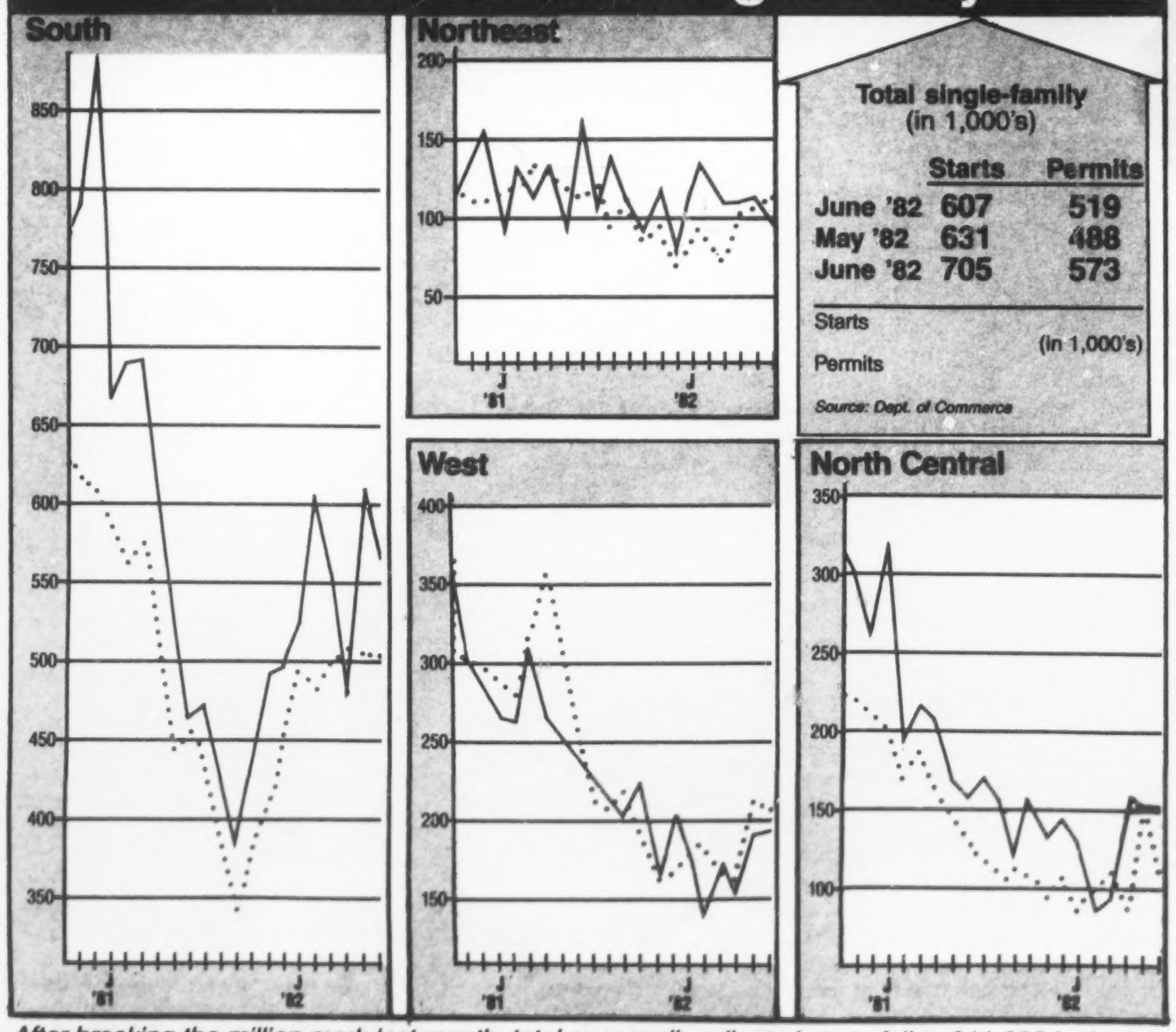
Federal safety regulators charged that between 1977 and 1978 The Fountainhead Group, Marimar Manufacturers, D. B. Smith Co. and Blue Mountain Products distributed a substantial number of sprayers with "an improperly located weld at the bottom of the sprayer presenting a substantial product hazard."

In addition, the complaint maintained that the manufacturers violated reporting requirements by failing to notify the C.P.S.C. of information which "reasonably supports the conclusion that the sprayers" used were defective.

Without admitting that the products were defective or that they violated any reporting requirements, the companies agreed to pay $10,000 in full settlement of all charges made in the complaint.

In accordance with C.P.S.C. rules, however, final acceptance of the settlement is pending a public comment period.

June home-building activity



After breaking the million mark last month, total seasonally adjusted starts fell to 911,000 in June, a drop of 15.3%. Permits, however, were up 11.8% from the prior month to a seasonally adjusted total of 948,000. Both starts and permits were up from May for single-family units. Seasonally adjusted starts rose 6.1% to 607,000. Permits totaled 519,000, an increase of 6.4%.

FINANCIAL NEWS

SALES & EARNINGS

*$ in thousands

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Boise Cascade	6/30-2nd qtr.	$ 740,910	$ 813,020	−9	−$ 8,440	$ 26,910	—
W. R. Grace	6/30-2nd qtr.	1,630,224	1,690,910	−4	76,912	100,252	−23
Scotty's	7/3-6 wks.	37,012	35,287	5	—	—	—
Wolohan Lumber	6/30-2nd qtr.	25,082	27,656	−9	483	395	22

Peavey approves merger with ConAgra

MINNEAPOLIS—Peavey shareholders have approved the merger of the company with a subsidiary of ConAgra, Omaha.

Peavey, which among its businesses has 41 home centers in the Midwest, is a grain and retail merchandiser and food processor which did $820.9 million in sales in the fiscal year ended July 31, 1981.

ConAgra, a maker of agricultural chemicals and animal health care products, a grain merchandiser and food processor, did better than $1 billion in volume through its fiscal year ended May 31.

STOCK PRICES

	As of 7/21	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	23½	42⅝	19¾	9
Diamond Int'l (NYSE)	36¼	41¼	26¼	16
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Scotty's (NYSE)	19¼	24¼	15⅛	9
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9½	20½	8¾	34

Over-the-counter stocks

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Erb Lumber	11½	13	14½	7½
Hechinger	19⅜	19⅝	20⅜	15¼
Hines Lumber	16	16½	20¼	15
The Home Depot	18⅞	19⅛	19¾	6⅛
Pay 'N Pak	14⅛	14¼	17¼	11⅝
Pay 'n Save	20	20¼	27⅛	16½
Scotts Seaboard [Scott's]	⅞	1¼	2¾	⅞
Wolohan Lumber	3½	3⅝	5	3

B.C.'s income down while 2nd-qtr. sales improve

BOISE, Idaho—Boise Cascade's building materials distribution division, including its 96 stores among other businesses, showed considerably lower financial results in the second quarter than it did a year ago, company officials said.

Specific figures for the quarter just ended were unavailable at presstime, but the division had $152 million in sales in the second quarter of 1981.

While the division continued to be unprofitable in the period, its results were better than in the first quarter, however. Its sales volume in the first quarter totaled $100 million. Boise's chairman and ceo John B. Fery attributed the improvement to cost-reduction efforts and a slight seasonal pickup during the quarter.

Overall, the company had a net loss of $8.4 million in the second quarter on sales of $740.9 million. In the same quarter of 1981, the company showed net earnings of $26.9 million on sales of $813 million.

Fery noted that Boise earned $3 million from operations in the period despite charges incurred from the closing of a pulp and paper mill in Salem, Ore., and from reductions in the firm's labor force.

He attributed the company's $2.9 million net loss and 9% decline in sales for the first six months of the year to poor business conditions impacting the forest products industry.

Boise Cascade officials have cut capital spending from a proposed $250 million to less than $200 million this year.

An area of the building materials distribution division that has been affected by the cutbacks is its new management information system, expected eventually to link stores and wholesale branches with divisional and regional data centers.

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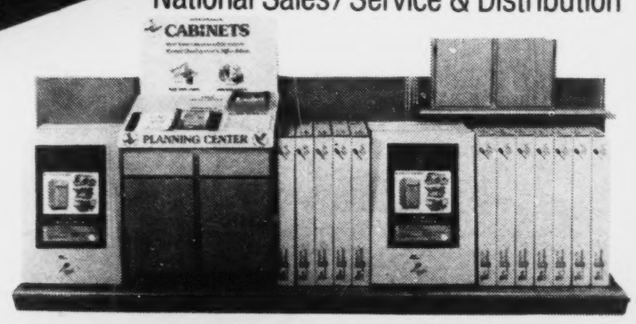

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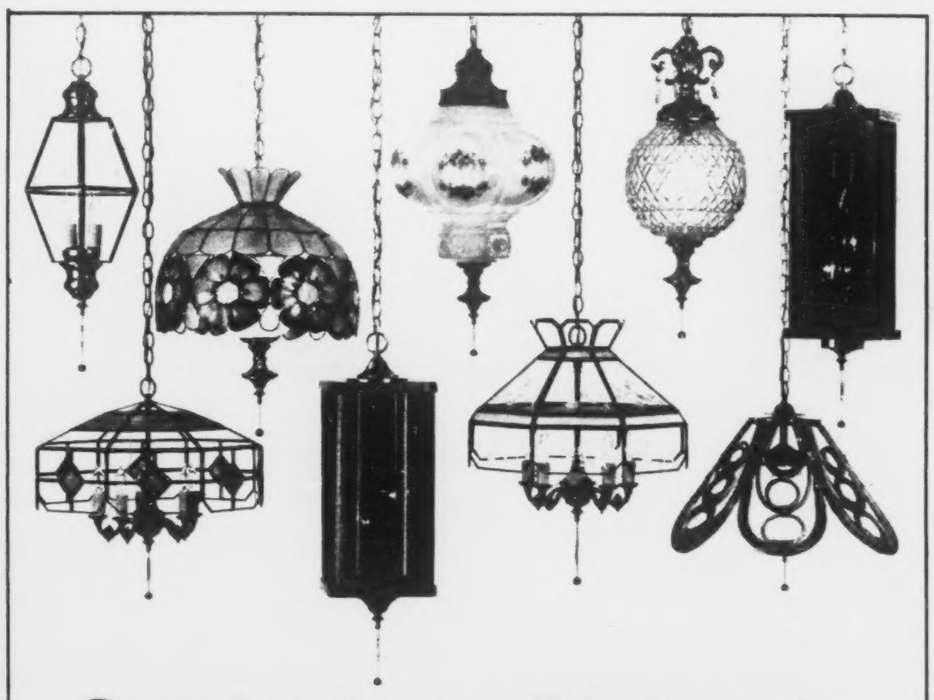

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National Home Center News®

Vol. 8, No. 18 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. August 30, 1982
$7 per year $2 per copy

Chains find growing market for name-brand plumbing

By John Caulfield
NHCN associate editor

NATIONAL REPORT—Throughout the country, home center retailers are finding the market growing for brand-name plumbing fittings and fixtures, as manufacturers seek to gain a greater share of the DIY market by emphasizing their trademark as conspicuously as their product.

Supplier names like U.S. Brass, Artesian, Price-Pfister, Waxman, Rainbird and Mor-Flo, while not household words, are nevertheless gaining wider recognition among the plumbing-buying public. And dealers are becoming more conscious of the manufacturers they are stocking in their plumbing departments, something unheard of several years ago.

The six-unit Z & L Lumber in Pittsburgh recently changed its plumbing faucet line to a supplier with a "much higher consumer awareness" level, according to director of purchasing Ron Kregiel.

"We have customers come into the stores asking for certain plumbing products by name, so we're also seriously considering switching to a fixture supplier whose program has stronger brand awareness among consumers than the line we carry now."

To the west, the four-unit Economy Lumber, Denver, has been besieged by faucet manufacturers, but continues to stick with its well-known, nationally advertised supplier. "I see at least one faucet rep a week; the competition is incredible," said chain vp Steve Stookesberry, "but people know our faucet line by name, it sells well, and we get good margins from it, so why go with someone less identifiable."

Central Hardware play's up faucet manufacturer's products and television promotion in the chain's newspaper tabs to take advantage of increasing brand awareness of plumbing items.

Now that manufacturers have spotted this trend, it can be expected that the fight for name-brand recognition will become fiercer, particularly with some of the industry's heavyweights revving up their fall promotions:

Peerless Faucet, Indianapolis, Ind., will start advertising on network TV for the first time in several years to coincide with its considerable local TV, radio and print spots. "This will be an all-out media blitz, pressing home the Peerless name strongly," said national accounts manager Scott Hutton.

In Wisconsin, Kohler Co., which has sold the home center industry minimally and continues to merchandise its high-end fixtures exclusively through wholesalers, could be making a bid to capture more DIY business as it tests its first-ever TV commercial in five Midwest and Southern markets.

"We'll have a very heavy emphasis on brand name, and see what kind of response we get," said Bob Jewell, consumer products marketing director.

And Stanley Tools, New Britain, Conn., will promote the 200-sku plumbing fittings line it has developed since purchasing the Philadelphia-based packager Hancock-Gross last November. Sources familiar with Stanley's plans claim the company will use national advertising to promote the plumbing in the same vein as its successful

(Continued on page 47)

Hardware Show attendance is surprisingly strong

CHICAGO—Despite fear that recession would cut into attendance at the 37th annual National Hardware Show here last week, traffic on the floor was higher than many home center retailers recalled seeing in several years.

While attendance figures were not available at press-time, show officials estimated the total would top last year's 74,320. (Attendance in 1980 was 70,934.)

"I'm very surprised at the number of people walking the floor," said Steve Underwood, president of Chase-Pitkin, Rochester, adding that the Sunday turnout at the DIY Home Improvement annex was the largest in his memory.

Paul Siegel, vice president, merchandising, for Forest City, Cleveland, added that the attendance levels were heartening: "It shows there is still some optimism in this industry. I know I'm relieved at the showing."

On the floor, retailers commented about the proliferation of kerosene heater and ceiling fan suppliers, and in particular the increased number of propane heater manufacturers honing in on the energy market.

The tone of the show was set by Don Wolf, president and general manager of the 2,500-member Hardware Wholesalers Inc., Fort Wayne, Ind., who spoke of the need for better communications between manufacturers and retailers in the industry and for more aggressive promotion.

(Continued on page 47)

NEWSBREAKS

WICKES LUMBER NAMES NEW VP. Bruce W. Berg has been appointed vp and general merchandise manager of Wickes Lumber, replacing Jack Edl, who resigned "to pursue other interests," the company announced. Berg joined Wickes Lumber in November 1981 as merchandise manager, interior products. He will report to Les Hagen, senior vp of Wickes Corp. and general manager of Wickes Lumber.

INSIDE

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Home center ranks swell 4% in '82 to 14,967 units

NEW YORK—There are 14,967 individual home center units operating in the United States, according to the just published 1982 Chain Store Guide to Home Center Operators and Hardware Chains.

The store total is up from 14,380 in 1981, while the number of companies operating home centers is down 8% to 6,529 from 7,053 a year earlier.

The majority of stores, 10,105, continue to be chain operated. That figure is up 11% from a year ago.

Significantly, 25% of all home centers, or 3,676 units, are controlled by just the top 26 chains. There are now 122 chains that operate 10 or more stores.

At the same time, the guide shows a 29% drop in the number of companies operating hardware stores, from 822 companies with 6,868 stores to 587 companies with 6,512.

The guide defines a home center as a retail outlet that sells lumber and building materials as well as hardware and other home improvement items. Volume must be significantly DIY and at least $1 million annually.

The guide, affiliated with *NHCN*, is published by Lebhar-Friedman, 425 Park Ave., New York, N.Y., 10022. A DIY Hardware Distributors guide is also available.

	No. of Home Center companies			Total No. of stores		
	1982	1981	% change	1982	1981	% change
Independents	4,862	5,262	−8	4,862	5,262	− 8
Chains (2 or more stores)	1,667	1,791	−7	10,105	9,118	+11
Total	6,529	7,053	−7	14,967	14,380	+ 4

Molding moves from commodity to decor item in shoppers' eyes

By Ken Schept
NHCN senior editor

NATIONAL REPORT—It is one of the few products in a home center that receives a 100% markup. Profit can be considerable since volume is limited only by DIYer imagination. Yet retailers are still not adequately tapping the market.

The item is molding and the assessment comes from retailers as well as spokesmen for the molding industry.

"As a group of merchants we may have missed the boat a little bit," said Greg Wessling, Lowe's vice president, merchandising. "For $20 of chair rail molding a customer may make a room look as if it underwent a $400 improvement."

(Continued on page 15)

C. A. Niece, a Lambertville, N.J., home center, displays 102 molding profiles on a freestanding rotating unit.

DIY Industry update

Evans cools on marrying Sharon

The pending merger of Evans' Products and Sharon Steel had been scheduled for discussion at the May 19, Evans stockholders meeting, which was canceled pending an IRS decision related to the transaction.

That opinion is still pending, so a new date for the stockholder gathering has not been set. However, when the Evans meeting does occur, feelings regarding the merger may have shifted dramatically from what they were on May 19.

Evans reported a second quarter loss of $3.5 million on revenue of $375 million. In 1981 the company earned $10.4 million on $445 million for the same quarter. Sharon's earnings are also reportedly off in the second quarter.

"Economic conditions, operating results and financial results of both companies have changed," said Gerald Parsons, Evans vice president, corporate relations. "Could a prudent chairman recommend combining our company with a company considered extremely financially shaky?"

Victor Posner was not available for comment, according to an aide, Jeff Breen.

Posner's indictment in April on income tax evasion may have also dampened Evans' desire for corporate marriage.

"Psychologically it's quite apparent that it [the indictment] had an adverse affect on the price of our stock," said Parsons. "We've had many protests from shareholders about merging with any company that Mr. Posner has anything to do with."

BE opens warehouse outlet

VAN NUYS, Calif.—A storage shed next to a Builders Emporium store here has become the 62-unit chain's "Weekend Warehouse"—an outlet for discontinued, leftover and slightly damaged merchandise.

The weekend warehouse debuted Aug. 6-8 with markdowns as much as 50% on lounge chairs, ceiling fans, Corningware, lawn mowers and fireplace accessories.

"It's our intention to keep fresh merchandise coming in every week," explained Bill Teachout, BE's executive vp. "It will draw additional traffic to the store site."

The warehouse hours are 9 a.m.-6 p.m. weekends.

Marty Bocola, BE's vp-operations, said the new program gives BE the capability to buy closeouts from companies going out of business and to funnel "ad residue from other stores."

Teachout characterized the Weekend Warehouse as a "pilot program," explaining that the availability of a freestanding building to house the merchandise was "a unique situation."

Hardware Fair to close 1st unit

By the end of the year, Hardware Fair, the 10-unit Maryland chain, will close its first store, opened 63 years ago on the Baltimore waterfront.

The property was obtained several years ago by the City of Baltimore as part of its Inner Harbor renewal effort. Since then it has been leased by Hardware Fair. The city is apparently now ready to proceed with hotel construction.

While not Hardware Fair's best unit, the Pratt Street location is strong, according to John Madanick, the chain's hardware buyer.

"At lunch time that store is like an airport," he said. "Customers may not buy there, but when they go home at night they buy what they saw during lunch at a surburban Hardware Fair. It's like a showroom."

The store also does a considerable commercial business, he said. Motion picture companies that have used Baltimore waterfront locations maintain accounts there.

Hardware Fair will probably open another store in the area when this one closes, but not just because the location is justified by the volume of business.

"We grew up in this city," said Madanick. "It's important that we have a store in this area."

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 18. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 18 August 30, 1982

Ponderosa pine is gaining a larger share of market

By Ken Schept
NHCN senior editor

NATIONAL REPORT—Ponderosa pine is increasingly being used for the pressure treated dimensional lumber sold to America's backyard carpenters for decks.

While southern yellow pine continues to dominate that market, ponderosa has made inroads in the upper Midwest and is moving deeper into the Chicago market and as far East as western Pennsylvania.

The success of Ponderosa is attributed to price, "yardability," appearance, southern pine availability problems and a move away from treating refractory species that do not adequately accept the preservative chemicals.

Upward spiral

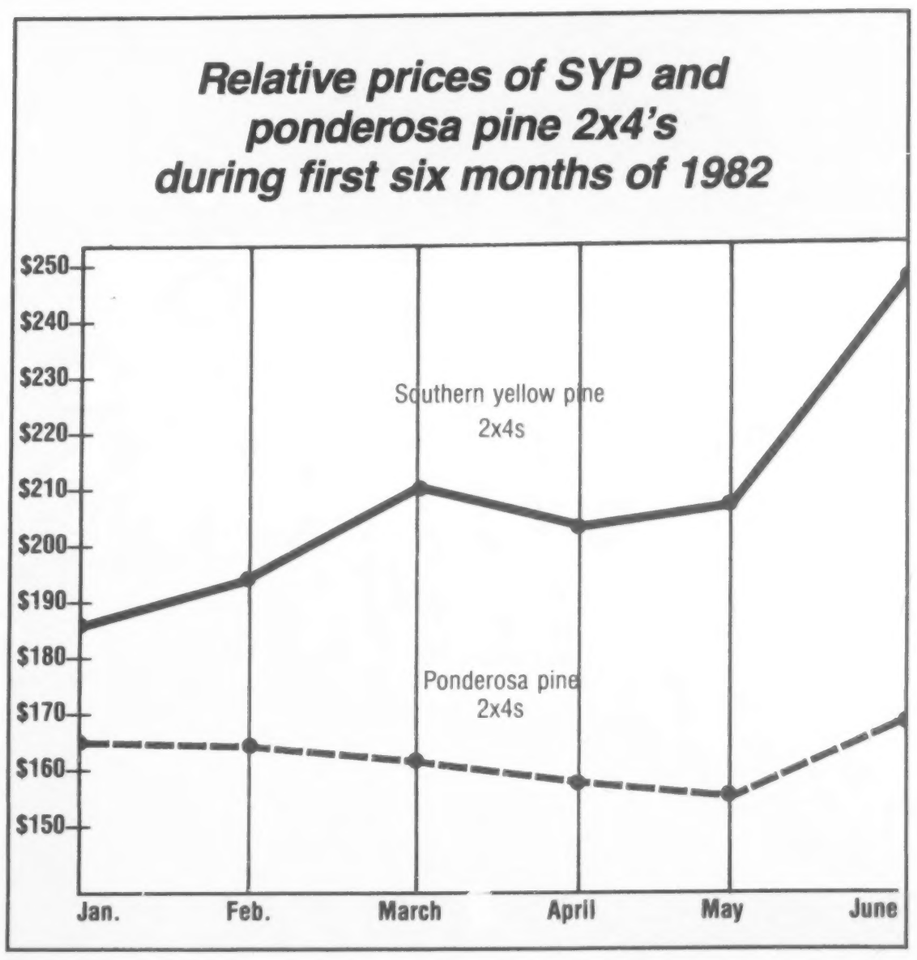
Three years ago Erb Lumber, Birmingham, Mich., stocked all SYP treated lumber. Last year ponderosa was introduced. It now accounts for about 15% of Erb's treated inventory, according to buyer John O'Hara.

Until this year, 42-unit Lampert Yards, St. Paul, Minn., also stocked both species for treated dimensional lumber.

"Now we're totally or 99.5% over to ponderosa pine in Iowa, Minnesota and Wisconsin," said buyer Rich Clasen. The company still carries SYP for foundation lumber, where greater strength is required.

In June, John A. Biewer Co., a Michigan-based treater, opened a plant in Seneca, Ill., specifically to penetrate the Chicago market and the rest of northern Illinois.

(Continued on page 35)



Mill prices of both Southern yellow pine (westside) and ponderosa pine 2x4's responded to demand by treaters this year, particularly during the spring. Ponderosa prices remained significantly lower, however, while the popularity of treated lumber fueled a surge in SYP prices. The prices noted are per 1,000 board feet, based on Random Lengths' framing lumber price guide.

Completes Eastern consolidation

Diamond sells 3 units to Woodbury

SACRAMENTO, Calif.—Diamond International's sale last month of three stores to Woodbury Lumber, Glens Falls, N.Y., marked the end of a consolidation program in Diamond's Eastern retail division, according to retail vice president Richard Cushman.

Diamond sold contractor-oriented outlets in Johnstown and Saranac Lake, N.Y., and in Rutland, Vt., to Woodbury to trim its Eastern division to 17 units.

"The facilities formed the west side of the division and they were out of our main geographic thrust," Cushman said about the Woodbury deal.

Last year, Rutland did $2 million-$3 million in volume while Johnstown did better than $1 million and Saranac Lake accounted for $1 million in volume, Cushman said.

Diamond once had as many as 24 stores in the Northeast, but Cushman noted, "We felt we were better off concentrating on the really good locations. We now have all profitable facilities in the Northeast."

The company's consolidation program has also included the closing of stores in Augusta, Me., and Westboro, Mass. The

(Continued on page 4)

Woodbury Lumber, Glens Falls, N.Y., has purchased this Diamond International unit in Saranac Lake, N.Y., and other Diamond outlets in Johnstown, N.Y., and Rutland, Vt. NHCN photo

Gerrity eyes DIY biz at new unit

YORK, Me.—Gerrity Building Centers is counting on more retail business from its new unit here to help it achieve three times the volume, within two years, than the previous store did, Thomas J. O'Malley, vice president of retail operations, indicated.

Chain officials would like the outlet's business mix to even out between DIYers and contractors, a far cry from the 80:20 ratio (contractor/DIY) at the former York Lumber & Hardware facility Gerrity bought about 10 years ago.

The new store, which officially debuted late last month, has a big advantage over its predecessor—location.

The unit sits on Route 1, a heavily traveled road, while the old facility was "off the beaten track," according to O'Malley. Combined with the fact that the store is 15 minutes north of Portsmouth, N.H., and 30 minutes south of Portland, Me., two sizable markets, it should be sitting well for increased volume.

Store officials also have more room to stock and display items. Currently, the unit features 7,000 sq. ft. of retail space, but that is expandable to up to 12,000 sq. ft., compared to only 2,500 sq. ft. at the old outlet, O'Malley said.

The chain is taking advantage of the space by beefing up product lines.

The store will have a full-time kitchen specialist to accompany its almost 3,000 sq. ft. of kitchen and bath displays, O'Malley noted. It also features a home decor department, adjacent to the kitchens, where in-stock wall coverings, sheet vinyl flooring and a lighting program are shown.

Lighting fixtures account for 60 sku's at the store. That is the most sizable lighting selection in any of the nine stores in the chain, operated by building materials supplier, Gerrity Co.

"It's profitable if you tie lighting into home decor," O'Malley explained. "Plumbing is double the volume of electricals for us, but lighting is an area of electricals where you can gain the most because of the higher tickets."

The store also features color-coded department signs and carpeting and tile in heavily used areas.

In addition, the York outlet is the first Gerrity has built. All of its other retail facilities were acquired, primarily in the last seven years.

Drug chains sell lumber, but combo Rx is elusive

SAN FRANCISCO—As soon as Sav-On Drug Stores opened its 17th and largest combination drug/home center unit in South San Francisco last month, company officials announced plans to build several more.

In opening this 55,360-sq.-ft. unit, which includes an 8,000-sq.-ft. outdoor nursery, Sav-On demonstrated a bullishness toward the home improvement industry that is shared by several of its competitors.

Pay 'n Save, Seattle, operates 11 drug/home center combos and recently announced plans to build its third "mini" unit in Soldotna, Alaska. Of the 71 stores operated by Dart Drug, Landover, Md., 18 are drug/home center combos.

The special problems of merchandising boards across the aisle from bottles, however, have forced Pay Less Drug Stores Northwest, Wilsonville, Ore., to cut back home improvement selection in the 10 drug/home center combos among its 150 units.

Still, as Ben Kovalsky, Dart Drug senior vice president sees it, the combo stores continue to reflect "a positive concept." He calls them, "the complete one-stop shopping center for the consumer."

Concept is new

The drug/home center phenomenon first appeared less than a decade ago, according to Kovalsky, who said that both Dart and Sav-On pioneered the approach.

Sav-On opened its first combo unit eight years ago in Sylmar, Calif. Eight of its current 17 combo stores were opened during the past 2½ years. All but the Bay area site and one in Houston are located in southern California.

The Sav-On prototype for a combo location is 45,120 sq. ft., including a 7,500-sq.-ft. nursery. The larger South San Francisco proportions were dictated by the long and narrow configuration of the existing building, whose dimensions are 148 ft. wide by 320 ft. deep, compared with the usual 228-ft. x 165-ft. measurements at Sav-On combos.

Home improvement items occupy about 40% of floor space at Sav-On units.

"The drug side does the higher volume because it has more household items," said Joe Call, Sav-On district manager.

The Sav-On combo units are usually divided by a promotional aisle down the middle of the store that separates the home center and drug sides of the store, although common checkouts are used.

The shape of the South San Francisco building required modifying the usual layout by placing the home center in the rear. Dart's combo layouts are similar to the Sav-On prototype.

Smaller markets targeted

Pay 'n Save is experimenting with a prototype especially designed for smaller markets that are unable to support its normal 52,000 to 60,000-sq.-ft. combos.

(Continued on page 46)

Sigoloff displays poise in Donahue show stint

SANTA MONICA, Calif.—When Sanford Sigoloff appears on nationwide television, work grinds to a halt at Wickes' corporate headquarters here.

At least that's what happened one recent afternoon when the Wickes' chairman appeared on an hour-long segment of the syndicated Phil Donahue show.

Some three-dozen Wickes employees crowded into a second-floor conference room to watch a poised and well-mannered Sigoloff respond to sometimes piercing questions from Donahue and his mostly female audience.

The show, about big business failures, had been taped a week earlier, and Sigoloff himself was traveling and unable to see the broadcast. He was joined by AM International's chairman, Joe Freeman, and Robert Genetski, chief economist of Harris Trust & Savings Bank.

Freeman proclaimed proudly that his company ($653 million sales), which filed Chapter XI in March, was "the biggest before Sandy filed." The Wickes filing occurred on April 24.

"Hang 'em," a man said of Sigoloff and Freeman after explaining that he wasn't too happy with big business or top-ranking executives, after being laid off from his job at Wisconsin Steel, where he worked for 44 years. The audience, for the most part, was hostile.

The only time Sigoloff appeared to get ruffled was when a woman said he and Freeman were treating their jobs as nothing more than playing a game of Monopoly.

"That's not fair," Sigoloff retorted.

When an audience member hinted that she'd like to know Sigoloff's and Freeman's salaries, Sigoloff responded, "By the hourly rate?" The last time he was asked that question publicly, at a creditors meeting in June, he answered, "$350,000."

Reaction to Sigoloff's television appearance won rave reviews at Wickes' headquarters, however. One lawyer asked, "Could Johnny Carson be next?"

Stan Williams, manager of Homeowners DIY Centers' Gardena, Calif., store, tapped the sales potential of a long holiday weekend by having the store well staffed and keeping the doors open for an extra half hour. NHCN photo

13 hours of hustling break Homeowners sales record

By Brad Altman
West Coast editor

GARDENA, Calif.—Stan Williams began the day like so many other home center managers—nervously.

It was the Saturday of a three-day holiday weekend and Mother Nature had marked the occasion with gray, overcast skies.

Williams spent the previous week preparing for heavy sales at the Homeowners DIY Center based here. By the time he arrived for work at 7:15 a.m., however, there wasn't much left to do except worry.

Hours later, Williams' concern would turn to elation as the sun broke through the clouds and cashiers rang up a record single-day sales total of $42,700. But that was later.

To begin the day, Williams took the first of countless strolls through the sprawling, 48,000-sq.-ft. store, which is the largest and oldest of the five-unit Homeowners chain. He checked stock levels in the warehouse. As the 9 a.m. store opening time approached, he stood by the entrance and greeted employees as they reported for work. A total of 36 of the store's 57 full-time employees were scheduled this day in anticipation of heavy holiday business.

Declaring that the store was ready for the onslaught of customers, Williams went to his windowless office where he had a cup of coffee and a cigarette. After this brief break, he returns to his prime responsibility—what is occurring on the sales floor. Not far from his desk, a closed-circuit TV monitor can be heard paging his code number—102—from the floor. But that's not sufficient to stay aware of store events, he said.

At 38, Williams is a home center veteran. He has been manager of this Homeowners for almost two years and manager of another unit in West Los Angeles for four years. A native of Danville, Ark., Williams also held management positions with then-Vornado-owned Builders Emporium and the now-defunct White Front Dis-

(Continued on page 46)

According to Frost & Sullivan survey

Home centers offer more services

NEW YORK—A new survey of the home improvement industry found that home centers generally offer a wider range of customer services than other types of operations selling competitive products.

The study, conducted by the research firm, Frost & Sullivan here, broke home improvement retailers into four groups—hardware, home center, lumber and building materials, and paint/decorating stores. It found that home centers excelled in certain areas, and were at least competitive with the other retail groups in virtually every measured service category.

Car loading, for instance, was performed by about 83% of the home center respondents, the study said, compared with 62.9% for all retailers, 61.8% for LBM dealers and a low 50% for paint/decorating outlets.

Another example, in-house credit cards, showed that while 14.1% of all retailers polled offer them, 20% of the home center dealers surveyed now have a separate credit card for their stores' customers.

When queried on the use of audiovisual instructions, 30.7% of all retailers said they used these systems compared to 48.6% of the home center respondents.

One service level where home centers lagged behind the other retail groups was charging for delivery. All retailers averaged 37.6%, and even LBM dealers only responded at a 57.4% clip in charging consumers for home delivery. But home centers, obviously pressing the cash and carry philosophy, were more likely to charge customers extra for the service, with 68.6% of the study's respondents in this group claiming to do so.

On the whole, the most-frequently offered services among all home improvement retail groups were accepting payment checks (97%) and bank credit cards (82%); paint mixing was by far the most common service peculiar to the DIY merchandise field, with 82% of all retailers offering that service. Home center estimates were mostly in line with the above averages.

According to the survey findings, home centers appear to be using a heavy dose of advertising, coupled with expanded use of in-store DIY demonstrations and clinics, to distinguish DIY merchants from their competitors.

The market study found that 37% of home center respondents employed ROP newspaper advertising, 24% newspaper inserts and another 17% direct mailing circulars; only 5% said they used TV advertising and only 17% claimed to promote their products and store names on radio.

Hardware stores' ad media mix was closely aligned to that of home centers, with 32% in this retail classification spending their ad dollars on ROP ad-

(Continued on page 46)

Customer service by retailer type
(% of respondents in each group)

	Hardware Stores	Home Centers	Lumber/ Building Materials Stores	Paint/ Decorating Stores	All Retailers
Delivery: No Charge	65.0%	48.6%	70.6%	56.3%	62.4%
Delivery: Service Charge	21.7	68.6	57.4	0.0	37.6
Car Loading	68.3	82.9	61.8	50.0	62.9
Cartop Carriers	1.7	5.7	4.4	3.1	2.9
Your Own Credit Card	16.7	20.0	13.2	9.4	14.1
Bank Credit Card Accepted	90.0	88.6	70.6	78.1	82.4
Checks Accepted	98.3	97.1	94.1	100.0	96.9
Audio-Visual Instruction	25.0	48.6	29.4	28.1	30.7
Estimates on Projects	40.0	74.3	94.1	68.8	68.8
Plan Take-Offs	6.7	48.6	83.8	28.1	42.9
Tool Rentals	53.3	37.1	30.9	25.0	36.1
Contractor/Installer Referrals	30.0	54.3	70.6	68.8	55.1
Cutting Wood & Glass	75.0	62.9	72.1	18.8	59.0
Paint Mixing	91.7	85.7	70.6	96.9	82.0

Source: Frost & Sullivan, New York NHCN chart

Home center operations were more apt to offer their own credit cards, charge for product delivery, and employ audiovisual DIY instruction in their stores than either hardware, lumber and building material, or specialty outlets, according to a new Frost & Sullivan study.

Islands stacked with merchandise help sell some of the basic automotive products at Forest City in Center Line, Mich. NHCN photo

'Lots of motion' means product mix in auto departments

NATIONAL REPORT—While several home center dealers have reported only superficial success with automotives, those DIY retailers who are making the category work offer varied selections and appear to be alert to new product innovations.

The dealers who are satisfied with automotives are showing upward of 600 sku's in more than 100 running feet of space. What many of them like about the department, however, is the constant activity and interest in a changing product mix.

"We're constantly adding items," said buyer Rich Hill of Round Lake Ace Home Center, Round Lake, Ill. "There are so many new items in the category."

"There's a lot of motion in the department, no pun intended," said Frank Schaffer, automotives buyer at The Hardware Fair, Baltimore. "There's always something new. It's exciting."

One of the recent additions to the category is auto batteries under the 10-unit chain's own label. The Hardware Fair introduced the line in the spring. The third time they were advertised, Fourth of July weekend, results were gratifying.

"We sold about 75 of them," Schaffer said. "That's not a K mart total, but we were highly pleased because the average ticket is $40. We simply got a good deal from the manufacturer and decided to give batteries a try."

Overall, each store in the chain carries about 600 automotive sku's of such items as oil, waxes, chemicals, wiper blades, filters and mirrors in 120 linear feet of space, according to Schaffer.

All American Home Center buyer Al Carpenter is raving about a new do-it-yourself trailer kit, with add-on sale possibilities, that the Downey, Calif., store added only this past spring.

The parts, which retail for $249 and sell on sale for $189, assemble into a 49-in. x 41-in., 117-lb. trailer that can be attached to a car, Carpenter said.

"We felt originally that if we sold five of them, we'd be doing well," he related. "In three months, we've sold 24."

Previously, All American would have required a license to sell the trailer, but because it is a DIY item, the store can sell the parts without regulation. If a customer wants to use it with a car, however, he must register it with the Department of Motor Vehicles, Carpenter explained.

He noted, however, "I don't make my money on the trailer. I make it on the accessories, and I keep those items in stock."

When a customer buys a trailer for use on the road, Carpenter said, he makes "an immediate sale" because state law requires the trailer to have fenders. Other add-on items are plastic cargo carriers, wood-sided carriers, motorcycle racks, side rails and spare-tire mounts.

Other new items making waves at All American's 2,800-sq.-ft. department are simulated lambskin seat covers and car covers, the buyer said.

"The seat covers are not cheap like foam or terrycloth. They sell for $50 or $60," he reported.

"We're selling 12 car covers a

(Continued on page 32)

Vinyl sheeting for floors most popular, study reports

TOLEDO, Ohio—Vinyl sheeting was far and away the most popular resilient flooring product of the past year, according to a preliminary test survey conducted by the TRAC division of National Family Opinion.

Of the 3.5% of 10,000 households surveyed who bought flooring in the past year, 45% had purchased vinyl sheeting, followed in popularity by vinyl tile, purchased by 27% of flooring customers. The figures were based on a 78% return.

However, vinyl tile proved to be the most frequently DIY-installed product, with 84% of the respondents who bought the product saying they installed it without professional help, compared to only one-third of the respondents who purchased vinyl sheeting.

The preliminary survey tracked the purchasing activity of a wide range of resilient flooring products including ceramic tile (the third most popular flooring product), wood tile, planks and inlaids, and slate, stone and terrazzo.

Specialty flooring stores led the market in sales with 42% of the purchases; the Fort Worth, Tex.-based Color Tile chain came in second with 15% of the sales and building supply stores accounted for 12%.

The breakdown of where the purchases were made shows that nearly 10% of the households bought flooring from contractors who in turn may have purchased the flooring at home centers.

NFO, a market research company based in Toledo, Ohio, said the pretest survey was part of future plans to monitor sales of resilient flooring products in a twice-a-year report to retailers and distributors.

Where they purchased resilient flooring Pretest results

(number of respondents)

Outlet	Total	Ceramic Tile	Rubber/ Asphalt	Slate, Stone, Terrazzo	Vinyl/ Asbestos Tile	Vinyl/ Linoleum Sheet	Wood Inlaid	Wood Planks	Wood Tiles	Other	No Answer
Sears	10	0	0	0	3	6	0	0	0	1	0
Dept. Store	4	0	0	0	1	2	0	0	0	1	0
K mart	9	0	0	0	5	2	0	0	0	1	1
Disc. Store	8	0	1	0	2	5	0	0	0	0	0
Color Tile	51	16	3	1	27	2	0	0	1	0	1
Floor Covering Store	147	9	0	3	21	99	4	0	4	7	0
Furniture Store	9	0	0	0	0	9	0	0	0	0	0
Hardware Store	12	0	0	0	9	3	0	0	0	0	0
Building Supply Store	**41**	**5**	**2**	**3**	**15**	**8**	**2**	**3**	**0**	**3**	**0**
Builder/Contractor	30	12	0	1	2	11	1	2	0	1	0
Other	2	2	0	0	7	9	0	1	3	1	0
No Answer	6	0	0	0	2	2	0	0	0	0	2
TOTAL	**350**	**44**	**6**	**8**	**94**	**158**	**7**	**6**	**8**	**15**	**4**
% of total purchases	**100%**	**13%**	**2%**	**2%**	**27%**	**45%**	**2%**	**2%**	**2%**	**4%**	**1%**
% of purchases installed independently	**52%**	**50%**	**67%**	**63%**	**84%**	**33%**	**43%**	**67%**	**63%**	**53%**	

Source: National Family Opinion

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LUMBER REPORT

Ponderosa pine gaining larger market share

(Continued from page 2)

The company also has a plant in Washington Court House, Ohio, that sends 9 million to 10 million board feet per year of treated ponderosa pine into southern Indiana, northern Kentucky, West Virginia and western Pennsylvania. Busy Beaver, Carter Lumber, Wolohan and Peter Kuntz are among its chain customers.

"Pittsburgh is starting to be strong for us," said Greg Woolum, a Biewer salesman.

Price is a factor

In Biewer's experience, ponderosa shipped across the continent is price competitive with SYP trucked north about half the distance, because of relative mill prices and freight costs.

In the first six months of this year, the mill price of westside SYP increased from $189 per thousand board feet in January to $246 in June, according to the publication, Random Lengths. During the same period, ponderosa pine moved from $165 per thousand board feet to a June peak of $168.

To ship a thousand board feet of ponderosa pine from Oregon to Minnesota cost roughly $75 in June, while the charge for transporting SYP from Arkansas to Minnesota was about $50, according to Random Lengths.

Consequently, at the height of the sales season for treated wood, the lower mill price for ponderosa and the modest difference in shipping costs compared with SYP gave the western species a price advantage of about $50 per thousand board feet in the upper Midwest.

Woolum said that freight to Ohio from the Northwest could run as high as $80 to $90 per thousand board feet, which still made ponderosa pine competitive. In addition, he estimated wood lost because of warpage was about 30% less with ponderosa pine than SYP.

"Yardability" important

Indeed, the advantageous characteristics of SYP—its density and high sap content—which give it greater structural strength than ponderosa, also make it more likely to respond to climate fluctuations by twisting.

Some retailers, like Chicago's Gee Lumber, prefer ponderosa for its greater stability. According to buyer Bob Hirch, Gee has carried ponderosa for more than 10 years and treats about 5 million board feet annually in its own plants to supply its 11 outlets as well as others.

"I get a bang out of the Southern people when they come up here and within the first 10 minutes shoot themselves out of the saddle," said Clasen, of Lampert Yards, referring to one southern producer who considers a 14% warpage loss in SYP used to manufacture truss rafters "No problem. You have to figure that into the initial cost."

The Southern Forest Products Assn., however, rejects the notion that ponderosa has greater "yardability" than southern pine.

"Just because wood is treated doesn't mean it shouldn't be stored properly," said Chuck Gehring, vp of marketing for the association. "Too many retailers assume it can lay out in the yard in snow. If they treat ponderosa that way it will have the same problems."

"If southern producers shipped up good quality southern yellow pine it would beat out ponderosa," said Gene Milchak, a marketing representative for Coppers Co., a supplier of treating chemicals.

Appearance counts

For Biewer's Woolum, the appeal of ponderosa to the public was an important selling point.

"When you buy ponderosa pine you buy #2 or better," he said. "An appearance grade of lumber that looks nicer."

Increasing consumer sophistication and the need for a quality appearance were also important factors in the decision by Georgia-Pacific to switch to treated ponderosa at its Osseo, Minn., distribution center, according to Steve Cajac, lumber manager.

G-P moves about 7 million board feet of treated lumber from that location each year. Until now the lumber was Canadian jack pine obtained inexpensively from the nearby Thunder Bay area of Ontario. Jack pine, however, does not respond well to pressure treatment.

Beside SYP and ponderosa, only Norway or red pine readily accepts the treating chemicals. A refractory wood, like Jack pine, needs to be incised to permit greater chemical penetration and to comply with standards of the American Wood Preservers Bureau.

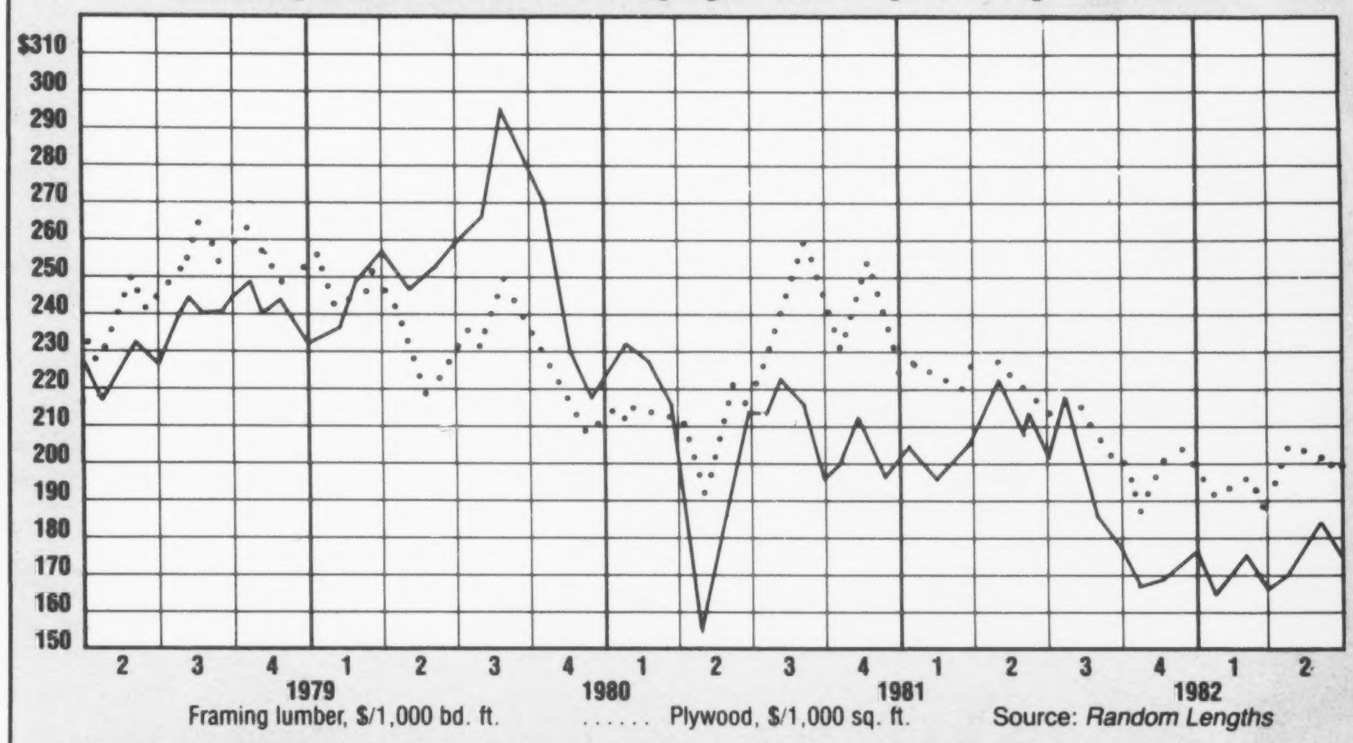
"How would you like to have a deck that looked like a football player walked over it?" quipped Cajac, referring to the reluctance consumers have toward buying incised lumber.

Having decided to shift from Jack, G-P went with ponderosa over SYP because of price.

Ponderosa has also been able to increase its share of the treated market this year because of SYP supply problems

(Continued on page 39)

Composite lumber/plywood price profile



The month offered no real surprises in lumber and plywood prices. Buyers continued to pick and choose expecting that prices could fall even lower. There was little stocking up.

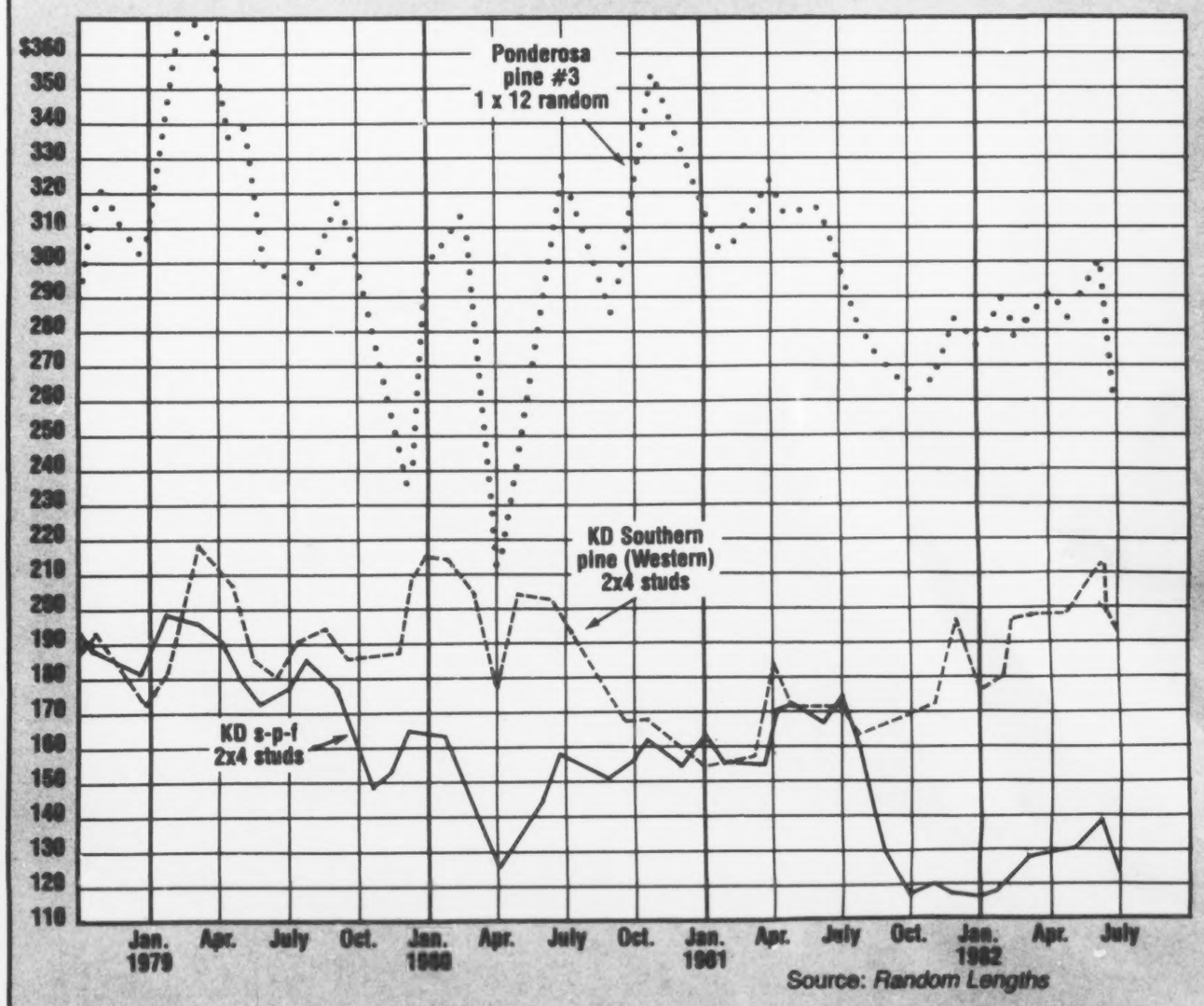
Mills re-entering the market after summer shut downs also caused some lumber prices to slip somewhat. The market for Southern yellow pine weakened substantially with a slack in demand from treaters.

During July framing lumber averaged $174 per thousand board feet and plywood averaged $200 per thousand square feet, based on Random Length's weighted measure of nine framing and seven plywood key items.

The corresponding average prices for June were $179 and $204 respectively.

Commodity close-up: Studs & boards

Average monthly mill prices



Source: *Random Lengths*

Stud prices were down in July after June's gains. KD Southern pine dropped suddenly in the beginning of the month, probably marking the end of the season for treated lumber.

However, Texas commercial building activity continued to help some westside Southern mills, and 2x4 stud prices averaged $192 per thousand board feet for July.

A drop in demand was also felt in prices for KD s-p-f 2x4 studs, which dropped to an average price of $127 per thousand board feet for July.

Prices for ponderosa pine #3 1x12 random lengths dropped sharply at midmonth and by the end of July a thousand board feet was available for a low of $220, basically due to surplus product. The monthly average was $260.

FUTURES

Two weeks ended Aug. 6, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	136.00	129.50	134.30	132.30	1,825	229.50	129.50
Nov.	140.20	133.50	136.50	135.10	1,634	224.50	132.60
Jan. '83	149.50	143.50	145.80	143.80	748	205.50	139.10
March	157.30	151.30	154.00	152.60	157	209.80	146.80
May	161.70	157.50	160.40	158.60	194	202.00	152.50
July	169.00	165.00	168.30	165.90	224	201.00	158.00
Sept.	173.00	167.00	170.90	168.00	81	187.90	167.00

Total Contract Vol. (Through 8/6): 14,848 — **Previous Two Weeks: 16,870**
Total Open Interest (As of 8/5): 4,869 — **Previous Week: 4,682**
Cash Price: $132.30 — **Previous Week: $130.34** — **Year Ago: $179.34**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. Western ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	165.80	153.30	158.90	160.80	832	224.50	152.00
Nov.	168.80	158.60	161.50	163.50	441	226.50	154.80
Jan. '83	171.00	162.70	164.30	165.70	399	218.60	157.00
March	173.20	166.50	167.70	169.50	101	196.30	162.50
May	177.50	169.50	171.20	173.60	66	194.20	168.00
July	181.50	173.50	174.70	176.50	38	184.00	173.50

Total Contract Vol. (Through 8/6): 2,828 — **Previous Two Weeks: 3,024**
Total Open Interest (As of 8/5): 1,877 — **Previous Week: 1,458**
Cash Price: $161.70 — **Previous Week: $162.68** — **Year Ago: $191.10**

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	232.5	233.7	279.4

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, 8/5/82.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

FINANCIAL NEWS

STOCK PRICES

	As of 8/4	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	23⅜	40¼	19¾	9
Diamond Int'l (NYSE)	39½	41¼	26¼	51
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	7⅛	25	7	—
Forest City (AMEX)	12⅜	17	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	30½	51	30¼	4
Lowe's (NYSE)	15¾	16⅝	10½	16
Payless Cashways (NYSE) [Furrow]	22¾	25	15¼	15
Scotty's (NYSE)	17⅛	19⅜	12	11
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	8⅝	20½	8½	—

*$ in millions

Over-the-counter stocks

	As of 8/4 Bid	As of 8/4 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	10¾	12½	14	7½
Hechinger	19	19¼	20⅜	15¼
Hines Lumber	15	16	20¼	15
The Home Depot	19½	19⅝	20⅜	6⅛
Pay 'N Pak	13½	13¾	17¼	11⅝
Pay 'n Save	18	18¼	26⅜	16½
Scotts Seaboard [Scott's]	¾	1⅛	2¾	¾
Wolohan Lumber	3½	3¾	4⅞	3

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Diamond Int'l	6/20-12 wks.	$237,934	$271,069	−12	−$10,193	$12,558	—
Evans Products	6/30-2nd qtr.	228,072**	219,783**	4	17,726**	19,398**	−9
Lowe's	6/26-4 wks.	83,700	78,800	6	—	—	—
Southwest Forest Int'l	6/30-2nd qtr.	140,531	213,893	−34	− 5,553	6,021	—

*$ in thousands

**Financial results include only the retail division. Earnings are operating earnings.

Consumer sales buoy Evans 2nd qtr. earnings

PORTLAND, Ore.—Higher sales, particularly to consumers, and slightly lower operating earnings were two of the bright spots in Evans Products' second quarter ended June 30, company officials indicated.

Revenues at Grossman's, Moore's, Hubbard & Johnson, Alamo Enterprises, and Lindsley stores rose 4% to $228,072,000 in the period from a year ago. Activity was particularly strong in the last two months of the quarter, officials said.

Retail volume accounted for 88% of total sales and helped to reduce the impact from lower sales to the contractor market.

The retail group's operating income fell 9% to $17,726,000 in the quarter compared to last year's record level.

Overall, Evans fell victim to high interest rates and incurred a net loss of $3.5 million on a 16% decline in revenues to $374,530,000 from 1981, according to officials. The sales drop came primarily from decreases in unit sales volumes in its new home, railcar shipment and steel castings businesses.

Although the company emphasized working capital and expense control in the quarter, operating cash flow was hurt by a depressed market and borrowings increased, officials said. Interest expense in the quarter increased 28% to almost $23 million.

To provide for additional borrowing capacity, they added, Evans and its lenders are revising a previously reached agreement in principle in connection with new loan agreements. Its principal revolving credit agreement is scheduled to extend through April 1984.

Until new loan agreements are signed, Evans is operating under waivers of certain covenants in its present loan agreements.

Wolohan sales down 9%, net up

SAGINAW, Mich.—Although its sales decreased in the second quarter, Wolohan Lumber saw net profits increase essentially because of a slight margin improvement, an increase in interest income from short-term investments, and a reduction in operating expenses, according to company president David F. Wallace.

Earnings rose 22% to $483,000 while sales fell 9% to $25,082,000 in the quarter ended June 30, compared to the same period in 1981.

Wallace said total sales suffered from the Midwest's depressed economy and high interest and mortgage rates. Consumer volume, however, was up 13% from a year ago to $18,011,000.

The chain operates 35 stores in six Midwest states.

Correction

Robert McNulty is Neiman-Reed's Lumber City's new executive vp and coo, not executive vp and chief financial officer as reported in *NHCN* Aug. 2. The Sherman Oaks, Calif., 13-unit chain's chief financial officer is Bruce Bleaman.

READ CLASSIFIED ADS

Diamond and Goldsmith delay merger deadline

NEW YORK—Diamond International and Sir James Goldsmith have extended an agreement through Sept. 30 to permit the completion of negotiations on the proposed merger of Diamond with a Goldsmith company, officials announced.

The agreement was scheduled to expire July 31 (*NHCN*, March 1).

Under the merger proposal, Diamond stockholders would receive $44.50 in cash for each share of Diamond common tendered.

A majority of Diamond directors, not affiliated in any way with Goldsmith, and a majority of all Diamond directors, along with 85% of the holders of Diamond common stock, must approve the proposal. Already, all of Diamond's directors, not associated with Goldsmith, have indicated support for the merger.

Cavenham Holdings, a Goldsmith company, owns about 40% of Diamond's common.

In other developments, Diamond incurred a net loss of $10.2 million during its second quarter ended June 20.

The company, which owns 120 home centers, reported earnings from operations of $8 million in the period but a loss on the sale of discontinued operations, namely its packaging products, containers, paperboard and graphic arts divisions, of $18.2 million.

Diamond's sales from continuing operations in the quarter fell 12% from a year ago to $238 million.

"Operations showed some improvement over the first quarter," said Diamond's chairman and president William J. Koslo, "but continue to be below acceptable levels of performance. Until we see signs of any real recovery in the housing industry, it will be difficult to predict higher earnings."

As a result of the earnings picture, Diamond recently cut its quarterly common stock dividend from 55¢ to 35¢.

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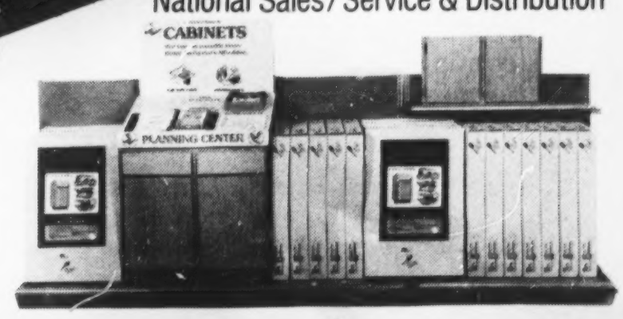

THE INDUSTRY LEADER

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*Space Mates fit 2 out of the 3 first priority D.I.Y. projects (kitchen & basement rec room) listed by homeowners as: 1. Completed in past 12 mos. 2. Planned for next 12 mos. or 3. Planned for next 24 mos. (Source: Joint NHCNews/NAHB Study. See NHCNews, July 5, 1982.)

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D&M Wood Products, Inc.

Retail assn. blasts FTC's Miller: 'RPM policy makes market mess'

WASHINGTON—Shifting Reagan Administration enforcement policy toward resale price maintenance activities by manufacturers has already begun to disrupt the marketplace, retail industry leaders warned the White House.

In a blunt letter to the President, American Retail Federation officials urged the Administration to silence top Justice Department and Federal Trade Commission policy makers who have created "confusion and disturbance in the marketplace" by announcing that supplier attempts to dictate resale prices will no longer be prosecuted as an automatic or *per se* violation of antitrust law.

The ARF letter is a direct slap at FTC Chairman James Miller III, who has openly declared some forms of resale price fixing to be "procompetitive," and Justice Department Antitrust Chief William Baxter, who plans to intervene in private antitrust suits on behalf of manufacturers charged with RPM violations.

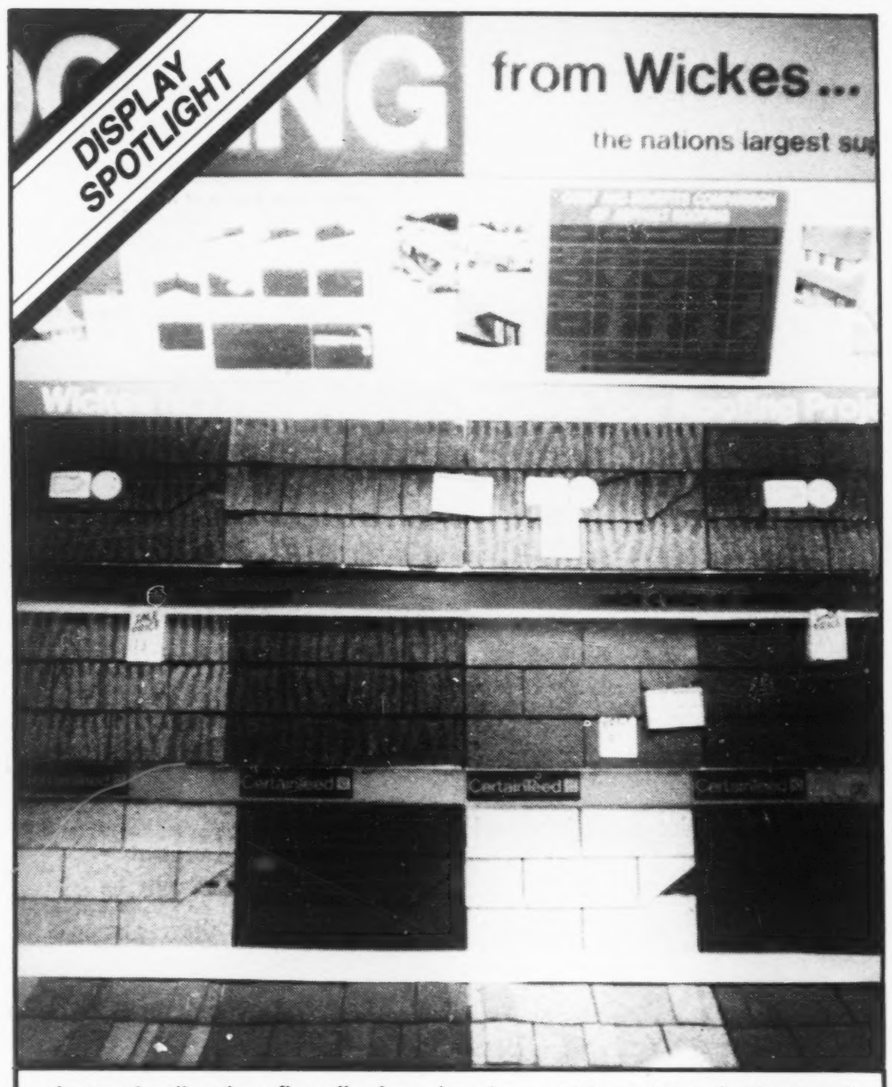
Although home center chains and other retail segments have expressed deep concerns about the pro-RPM tilt of key Reagan antitrusters, broad-based industry groups such as the ARF have been under pressure from independent merchants and some department and specialty store chains not to oppose the antidiscounter policies emerging at FTC and Justice.

ARF's letter to the White House—the Federation's first public statement to date on the RPM issue—urges the Administration to consider the economic consequences of encouraging manufacturers to ban retail price cutting.

"While the ARF has not adopted a position on the substantive issue" of whether RPM should continue to be considered an automatic antitrust violation, any "changes in so fundamental a relationship as that which exists between manufacturers, suppliers and retailers require a full and careful study of all of the implications to the economy before public pronouncements are made," ARF executive vice president William Kay Daines told the President.

In a veiled reference to reports from chain buyers that an increasing number of suppliers have taken recent statements by Miller and Baxter as a signal to resume Fair Trade-style resale price maintenance activities, Daines warned that "doubts about the rules that apply [to RPM enforcement] have the potential for producing unwarranted changes in market practices as well as considerable risk of liability."

On behalf of the more than 80 national and state retail associations which belong to the Federation, ARF urged the White House to direct "Justice Department and FTC officials [to] confine their activities to a case-by-case judicial enforcement" of RPM violations, or to make a specific "legislative proposal to Congress on this sensitive issue."



A standardized roofing display, showing a wide variety of colors and styles, runs against one wall at Wickes Lumber's Saginaw West unit in Michigan. NHCN photos

Homeowners sales record

(Continued from page 3)

count Stores.

Obviously, Williams uses his sense of humor to cope with the pressures of his job. A sign on his office wall proclaims, "Use your head—it's the small things that count."

That he is popular with his employees is also apparent. They stop him as he walks through the store—one trying to arrange four days off.

Williams unabashedly asserts that he is committed to his company and profession. He says Homeowners' president Louis Share "treats us like a family" and he expresses great satisfaction with the company's profit sharing and sales incentive program involving all 300 employees.

Beyond that, Williams credits his wife Bobbie for her support. He said she "takes notes for me when I'm at home and thinks of things—like an aisle that needs to be remerchandised." Even when the brainstorm comes to Williams while soaking in the bathtub—"she knows to grab the pen and pad."

The bottom line is that Williams works longer and harder than his employees, although he wouldn't state it that boldly. His description is that he "always takes one day off" per week, and "usually gets two days off every other week."

Why so many hours? "I love it," he responded. "There's always something to do. It's impossible to become stagnant."

On this particular Saturday, Williams is closely monitoring the hourly sales totals. The first hour "is always our slowest" and sales hit $1,900. "My gosh, I hope this weather clears," Williams said with dejection in his voice. He gets more bad news from Jagdish Teneja, assistant store manager. A Homeowners advertised special—a 10-lb. bag of charcoal briquettes selling for $2.19—is being sold by Montgomery Ward for $1.99.

Shortly after 11 a.m., Williams gets some cheerier information—first two-hour sales are $6,000—"a good pickup, but not where we should be," he said. "I'm really surprised."

Williams continued to walk the aisles, interacting with sales clerks, who vary from fresh-out-of-high-school young men and women to mature "old-timers." The employees start at $3.75 an hour and turnover is low. The last classified help-wanted ad drew 300 applicants.

"You wear out a lot of shoes," Williams said as he continued his walk. "Saturdays are different from the weekdays—you're not unloading trucks, redesigning displays or tearing down gondolas. You're helping customers."

At noon, sales hit $10,900. "It's going to be a good day," Williams said. With renewed assurance that things were under control, Williams decided to drive to Angels Home Center two miles away "to shop the competition."

Inside the Angels store, Williams noted a line of customers queuing up at the cash registers. "The customer can't get out of here," he said in mock indignation, adding that his store has 12 cashiers on duty compared with Angels' six.

Williams stopped in front of an Angels power tool display. "I like that," he remarked. "If I see a good idea, I'll steal it." Indeed, later in the afternoon, he mentioned the display to Teneja and gave him instructions to copy it.

The overcast had now burned away and the sun was shining brightly. Back at Homeowners, the pulse had quickened.

Williams peered into several shopping carts and expressed pleasure that customers were buying items not on advertised special.

Williams unhesitatingly will do any job in the home center, especially on busy days when he wants the sales clerks to spend their time with customers.

Williams said of his broad-ranging activities, "All this contributes to my No. 1 responsibility—to make the store a profit."

What is the key to successful store management? Williams said the trick is being "a listener, not a talker. I know what I know. If there's some information from somebody else, I want to hear it."

The day raced onward. The banana lounge chairs on special at $6.44 apiece and a $28.88 propane outdoor barbecue were the best sellers. As the store's normal Saturday 6 p.m. closing approached, Williams decided to keep the doors open an extra half-hour to service the many customers still in the store.

Williams himself finally left at 8 p.m., almost 13 hours after he arrived. His store's $42,700 sales for the day was "fantastic," Williams said.

Frost & Sullivan survey

(Continued from page 3)

vertising, the highest percentage in that group. This consistency is upheld throughout, with 20% of the hardware respondents using newspaper inserts, 24% direct mail circulars, 12% radio and 5% television.

The disparity arises when the survey compared these two retail groups with lumber and building materials and paint/decorating outlets. In the LBM group, 43%—the highest percentage—said they used ROP ads, while a full 53% of the paint/decorating respondents also walked this marketing avenue. However, neither was spending heavily on direct mail (8% and 4%, respectively), and only 10% of the specialty respondents used newspaper inserts. (Conversely, 20% promoted on the radio.)

The survey explained these marketing preferences by noting that "both [LBM] and paint/decorating stores carry a relatively narrow asssortment and therefore have less use for inserts and direct mail, which both appeal to merchants who feel they can't do their stores justice in one page or 30 seconds."

In addition to tracking advertising trends, the Frost & Sullivan study also looked into what kinds of in-store promotions these store-types favored and found that a large majority of home center respondents were using in-store demonstrations (65.7%) and clinics (48.6%) to assist customers in their DIY endeavors. The survey also noted that home centers, and hardware outlets, were clearly the most display-minded of the four groups, with over 80% of each reporting the use of endcaps, compared with barely more than half of the LBM stores and 61% of the paint/decorating outlets.

The highest percentage of hardware respondents—36.2%—said that in-store demonstrations were the most frequent kinds of special promotions to be found in their stores. For LBM outlets, this was also true, with 36.8% responding they used in-store demonstrations, and another 30.9% opting for DIY shows or in-store clinics. In-store demonstrations also proved popular with paint/decorating stores, 50% of the respondents claiming they employ this merchandising method, with another 43.8% running in-store clinics.

It should also be pointed out that home center respondents represented the highest percentage among the four groups in holding classes during after-store hours for DIYers, 31.4%.

The survey notes that "program wholesaling, though not new, has benefited from the surge in DIY retailing during the 1970's, because of its ability to neutralize many of the chain advantages."

However, the program wholesalers have done such a good job that the independent market could not be saturated, the survey contends, and so "it would not be surprising in the future to see program wholesalers pursue the chain market more methodically." This assessment correlates with the survey's contention that over the next decade, the "super store" type home center (50,000 sq. ft. and over), offering a wide range of products and service, "seems to offer the biggest growth potential compared to convenience and service type home centers." Examples of a "super store" were Hechinger, The Home Depot and Somerville Lumber.

Drug chains sell lumber

(Continued from page 3)

The scaled-down version is 40,000 sq. ft.

So far two "mini-combos" are operating, in Paradise, Calif., and Kauai, Hawaii. The third is slated to open in late 1983 in Soldotna, on the Kenai Peninsula near Anchorage, Alaska.

Pay 'n Save operates 11 full-size drug/home center combos: four in Anchorage, three in Sacramento, two in Hawaii and outlets in Redding, Calif., and Rock Springs, Wyo.

The company, of course, also operates 67 Ernst Home Centers. But Ernst buyers do not handle any of the combo merchandising, which is done by the drug division.

A strong drug rather than home center orientation, while understandable, seemed to be part of the reason Pay Less, another Northwestern firm, is having problems with its combo units. In Oakland, just a few miles from Sav-On's newest store, Pay Less is currently eliminating four 32-ft. gondola runs from the home improvement section of its combo unit.

Lumber image a problem

The Oakland action is part of a move by Pay Less to cut back on its home improvement commitment.

"We are reducing paint and taking out lumber," said a company official. "We've found that they [home improvement products] are not returning what we expect."

Only pine and pressboard shelving will remain.

"We couldn't carry enough to build that image," said the Pay Less official, who asked not to be identified. "We weren't selling that much."

He added that because the stores with home center sections are spread from Washington to California, "trying to coordinate an ad between them was really impossible, now that lumber prices vary so much. Also, we had to deal with too many distributors to set up one ad."

However, the official emphasized that Pay Less is not leaving the home center business completely.

"We're just getting rid of the dog merchandise," he said. The home center sections of the 10 combo units are 2,000 to 5,000 sq. ft. in size.

Only four of those units, however, have outside store signs indicating that home center merchandise is available. The others simply say Pay Less Drug Stores.

This lack of strong home center identity proved especially difficult in the Sacramento market, where Pay Less has one combo unit and several regular drug stores. Advertising seemed to confuse customers who often entered the regular drug outlets looking for home improvement items.

The problems of merchandising lumber and building materials proved to be only part of Pay Less' problem. They were also burdened with forces that touched the rest of the home improvement industry.

"We can't seem to get the home improvement thing going," admitted the official. "Just when we were going to make a big effort, the economy kind of squashed it."

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Outdoor power equipment p. 13

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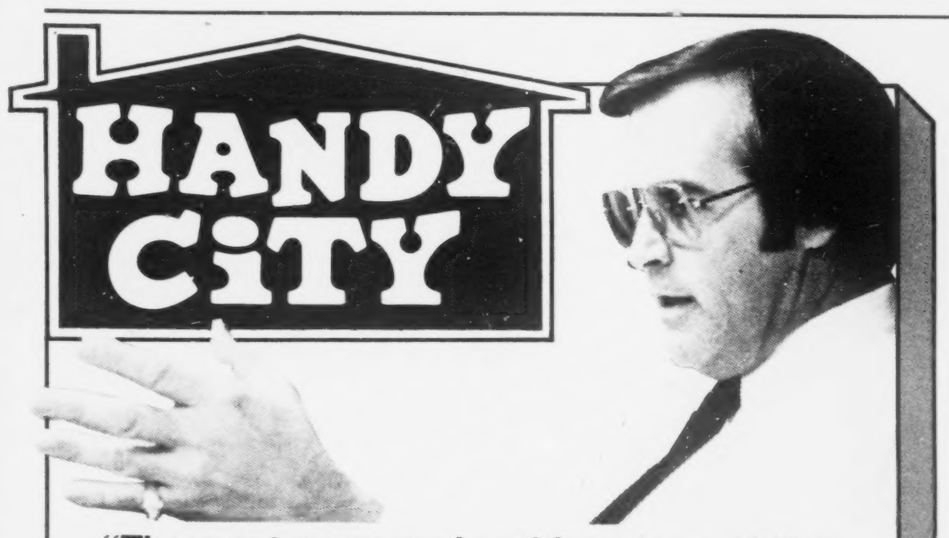
Vol. 8, No. 19 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | September 13, 1982 | $7 per year $2 per copy



"The most encouraging thing about 1982 is that there's nowhere to go but up . . . We're going to have stability at Handy City plus a sense of direction." **Daryl Lansdale, president (In a Jan. 8, 1982 memo to staff)**

Handy City rebounds but problems persist

By Kenneth Schept
NHCN senior editor

ATLANTA—After six years as part of W. R. Grace, four presidents and numerous changes in personnel, merchandising, systems and procedures, Handy City is approaching profitability.

Rebounding from a loss reported to be $5 million to $6 million last year, the 53-store Southeast opeation made money in April, May and June.

There may be more black ink by November, when current president Daryl Lansdale celebrates his first anniversary in Atlanta, but severe problems remain.

The gains so far, as Lansdale reportedly told his staff, have come from the accounting department, not sales. He and Tom Klimback, the 34-year-old vice president and cfo who joined Handy City at the same time, have tightened expense and store controls.

Sales for the first six months of 1982 totaled $61.8 million, up slightly from last year. Gross margins have been strengthened to about 36% chainwide. However, volume at Atlanta stores remains off because of competition from the chain's No. 1 nemesis, The Home De-

(Continued on page 30)

Home center chains report summer sales were strong

NHCN staff roundup

NATIONAL REPORT–Business has been relatively strong through the summer in the home center industry with many chains posting sizable DIY volume increases, although professional sales remain off for the most part.

Regional pockets of heavy unemployment or unusually high building activity provided exceptions to the general trend.

The July tax cut proved generally disappointing as a stimulus to consumer home improvement spending. Declining interest rates, however, are a source of optimism, although most industry leaders do not expect a strong recovery until at least next spring.

In the meantime a glimpse of better times was reported by Lowe's, the 233-store Southeast giant, where builder sales through the first three weeks of August were up 10% over a year ago, according to Leonard G. Herring, president and ceo.

"Last fall was not one of the best, so the comparisons are not very difficult," he said. "I think the decline in interest rates has prompted new interest in housing purchases. Funding is still not available but there are indications it will be."

Lowe's retail sales up

Overall, Herring does not foresee a large decline in interest rates in the long term. He feels that the current business level will continue with better year-to-year comparisons but no dramatic improvement.

July retail volume was up 25% over a year ago, to $67.4 million, mainly because of changes in pricing, product mix and the RSVP sales floor redesign program, Herring said. Second quarter DIY sales, ending July 31, increased 22%, to $165.2 million, and were up 19% for the first fiscal half, vs. total sales which were up only 3% to $506.3 million. DIY sales now account for 57% of total sales. That has helped boost gross margins, which in July were up to 25%, compared to 24.3% the previous July, Herring said.

Rickel, the 31-store South Plainfield, N.J., chain that is completely DIY reported that its sales for the quarter ending July 31 were up 19% from a year ago to nearly $67 million.

Consumer sales were also up at Scotty's, Winter Haven, Fla., but the 99-store chain also

(Continued on page 4)

NEWSBREAKS

MC COY'S KEEPS EXPANDING. After opening four new units and a replacement store already this year, McCoy's Building Supply Centers, San Marcos, Tex., is building stores in Laredo and Rosenberg, Tex., and a replacement store in Texas City. The company is negotiating for six other Texas sites, including its fourth in San Antonio, which would give it 45 outlets.

INSIDE

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DIY DEALERS hope power blower sales match the recent success of lawn mowers and string trimmers 13

Proposed chain saw regs threaten to boost prices

NATIONAL REPORT—At a time of declining chain saw sales, DIY retailers and manufacturers are facing the threat of higher retail prices resulting from proposed regulations by the Consumer Product Safety Commission.

Some retailers fear price increases, similar to the certain higher costs for lawn mowers after C.P.S.C.-mandated mower safety standards went into effect July 1, will exacerbate the drop in chain saw purchases.

Last year at the manufacturer level, sales of gas-powered chain saws fell 30% from 1980 to 1,820,000 units, the Chain Saw Manufacturers Assn. reported. Only approximately 450,000 electric-powered chain saws were sold in 1981.

A CSMA survey also indicated that most manufacturers expected 1982 chain saw sales to be no better than in 1981 and possibly to fall at least 10%.

Chain saw manufacturers and their trade association are still confident they can convince the C.P.S.C. that mandatory chain saw safety standards are not necessary.

The C.P.S.C. has indicated that it is not satisfied with the chain saw industry's technological efforts to reduce injuries related to the tools and took the first step this spring toward implementing safety standards (*NHCN*, July 19).

The association has answered the C.P.S.C. by filing a report citing recent Government inclinations toward self-regulation in other areas and noting that the industry has made progress in reducing the possibility of injury from such oc-

(Continued on page 15)

Kissinger keynotes City of Hope fundraiser

By Wyatt Kash
NHCN executive editor

CHICAGO—The United States is in a unique position to produce world order . . . if it seizes the opportunity, asserted former Secretary of State, Henry A. Kissinger, in a speech to the home center and hardware industry here last month.

Dr. Kissinger was the guest speaker at the City of Hope fund-raising dinner, which honored Frank W. Denny, president of W. R. Grace's home center division. The dinner marked the first national drive to elicit industrywide support for the national medical center and research institute.

Addressing 740 people at the $200-a-plate affair, Dr. Kissinger appraised the turmoil in the Middle East, eroding ties with Latin America, all in the face of dealing "with a difficult adversary," in the Soviet Union.

"I look at the situation in the Middle East as one of enormous opportunity," he said, calling the possibility that Lebanon could emerge free of foreign forces "the biggest step forward since the Camp David Accords."

His optimism, though, was built on the premise that the United States "take charge in the negotiations, and provided that we succeed in achieving a sense of security in the Persian Gulf."

"When the Iraq-Iran War started, my only regret was that only one of these countries can lose the war," he said, drawing laughter and applause.

"I get restless when I read in order to balance our budget, we must cut defense. We certainly shouldn't spend more than we need, but we shouldn't spend less than we need."

Turning to Latin America, Dr. Kissinger warned "it is important we understand the importance of the Falkland Crisis," noting the increasing dissension by countries like Argentina and that the Organization of American States which has served as a buffer, "is in disarray."

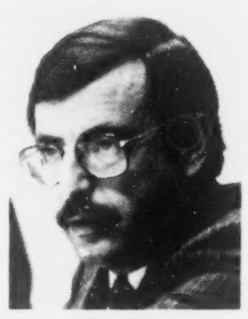
He also pointed to accelerating difficulties with Mexico and Third World nations who have borrowed heavily from United States banks, but who, in many cases, "have no hope of paying us back." "This can't go on forever," he said, warning that "a new approach to Western rela-

(Continued on page 4)

Home Depot chairman Bernie Marcus (l.) and former Secretary of State, Henry Kissinger, join in during the ceremonies honoring Frank Denny, W. R. Grace home center president, at the City of Hope fund raiser in Chicago. NHCN photo

DIY Industry update

Smith resigns from HWI


Smith

FORT WAYNE, Ind.—Paul Smith, vice president of marketing is leaving Hardware Wholesalers Inc., for what can only be described as "a greater calling."

The 13-year veteran of the $487 million buying cooperative announced late last month he was resigning to become a full-time priest.

"It was one of those heavy decisions," Smith said calmly, during a phone interview with *NHCN*.

Smith, in fact, had first decided to study for Holy Orders 10 years ago while on a retreat in Michigan. He was ordained a deacon in 1976, and finally ordained a priest in April 1978. For the past four years, he had been devoting weeknights and his weekends to counseling members of the community, making hospital calls, performing weddings and preaching on Sundays.

The sudden opportunity to take a full-time place among three other priests at a large Trinity Episcopal parish, and the decision that "money didn't mean that much" led Smith, the father of four children, to tender his resignation Aug. 23.

Smith's responsibilities, which included the development of HWI's "Do-It" program and the co-op's advertising program, are expected to be divided among a couple of HWI executives. He noted that he would remain as a consultant for at least the next year.

While Smith acknowledged he would miss some of the excitement of working at HWI, he added, "I feel a sense of excitement and joy about being able to 'serve' the rest of my life."

Central sister aids auto dept.

CHICAGO—It didn't look good for Central Hardware's 15-year-old automotive departments last year when its leased operator and supplier, Ameron, began having financial difficulty.

Central's answer, as it turned out, lay right across town from its Bridgeton, Mo., headquarters in wholesaler Witte Hardware, St. Louis. The match wasn't hard to make—both are owned by Interco, St. Louis.

According to Witte Hardware president Neil A. Marglous, in a speech during the National Hardware Show, Central's department is active once again, following Witte's initial investment of $750,000.

Witte is supplying Central stores with 1,286 sku's of automotives on eight 24-ft. gondola runs which provide four endcaps.

The chain is taking advantage of co-op deals in advertising 10-12 automotive items once a month in 900-line ads, according to Marglous. Some automotive products even carry 150% co-op opportunities, making it possible for a dealer to make money on the co-op deal and very little, if any, on the product, he said.

Motor oils and filters are claiming 21.4% of department volume with 12% of the oil business labeled as impulse buys.

Although oil is a large part of the business, it is not very profitable. Because it draws traffic, however, Marglous said mass displays of oil are very effective.

Waxes and polishes are accounting for 9% of department sales, tuneup-related goods 7.2%, chemicals and additives 5.2% and winter-related items 2.6%. Maintenance and appearance accessories make up the rest of the sales, he said.

Greg Hauca, director of the Home Center Institute, in speaking at the same seminar said DIY dealers showed significant increases in activity and interest with automotives between 1975 and 1981.

In a survey of home center retailers, 60.2% said they were carrying automotives compared to only 26.3% in 1975. Sales per square foot had jumped from $45 in 1975 to $124.31 last year.

The survey also showed an increase in automotive sales as a percentage of total sales from 1.1% to 2.4% in the period and from 2% to 3.1% in showroom space as a percentage of total store.

National Home Center News

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 19. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 19 September 13, 1982

Hal's sales in steady climb after hectic opening days

By Greg Puchalski
NHCN senior editor

MILWAUKEE—When a company has set its sights on a particular date for a grand opening, hardly anything will stand in its way, even if a location had been occupied by another business only a month before the target date and even if it means not doing everything right the first time.

Hal's, the new two-unit chain here, fell victim to such a rush in opening its 30,000-sq.-ft. stores last May 20 (*NHCN*, June 7).

In fact, a good portion of its dimension lumber didn't land until the day the stores opened.

Now, however, chain officials are correcting deficiencies with better buying and some remerchandising while pointing the company, backed financially among others by the Slater and Knell families of Channel and Ole's fame, respectively, in the direction of $4-$5 million in sales in its first year, according to vice president, merchandise, Tom Gritz.

"When we opened, basically due to time limitations, we had to rely on just a few vendors," said Gritz, who shares the office of the president of Hal's with vice president, finance/administration Craig Rastello and vice president, operations Terry Dennis.

"We knew we'd make a few mistakes. Since we've opened, we've gone back and made changes."

Specifically, in the 12 weeks the chain has been opened, it has purchased $500,000 in merchandise on special buys and direct purchases, Gritz said. While he would not reveal corresponding sales figures for the period, he acknowledged that each weekly sales report had been exceeding that of the previous week.

Among the changes:

In the paint department, Gritz noted that Hal's is now purchasing ladders and small-can enamels on a direct basis, instead of two-step. It also has

(Continued on page 29)

Left to right, vice president, operations Terry Dennis, vice president, finance/administration Craig Rastello, and vice president, merchandise Tom Gritz form Hal's office of the president. NHCN photo

FTC re-examines warranty rule

WASHINGTON—Federal Trade Commission officials have agreed to reconsider the agency's controversial rules requiring home center chains to maintain in-store libraries of product warranty information for consumer inspection.

That rule—which was issued on the heels of the 1977 Magnuson-Moss Warranty Act—requires home centers and other retailers to provide consumers with copies of manufacturer warranties for all products selling for more than $15 upon request.

Although the presale warranty disclosure requirement was designed to promote competition among manufacturers concerning the terms of their warranties, retail groups have argued that few shoppers ask to inspect this material prior to purchase.

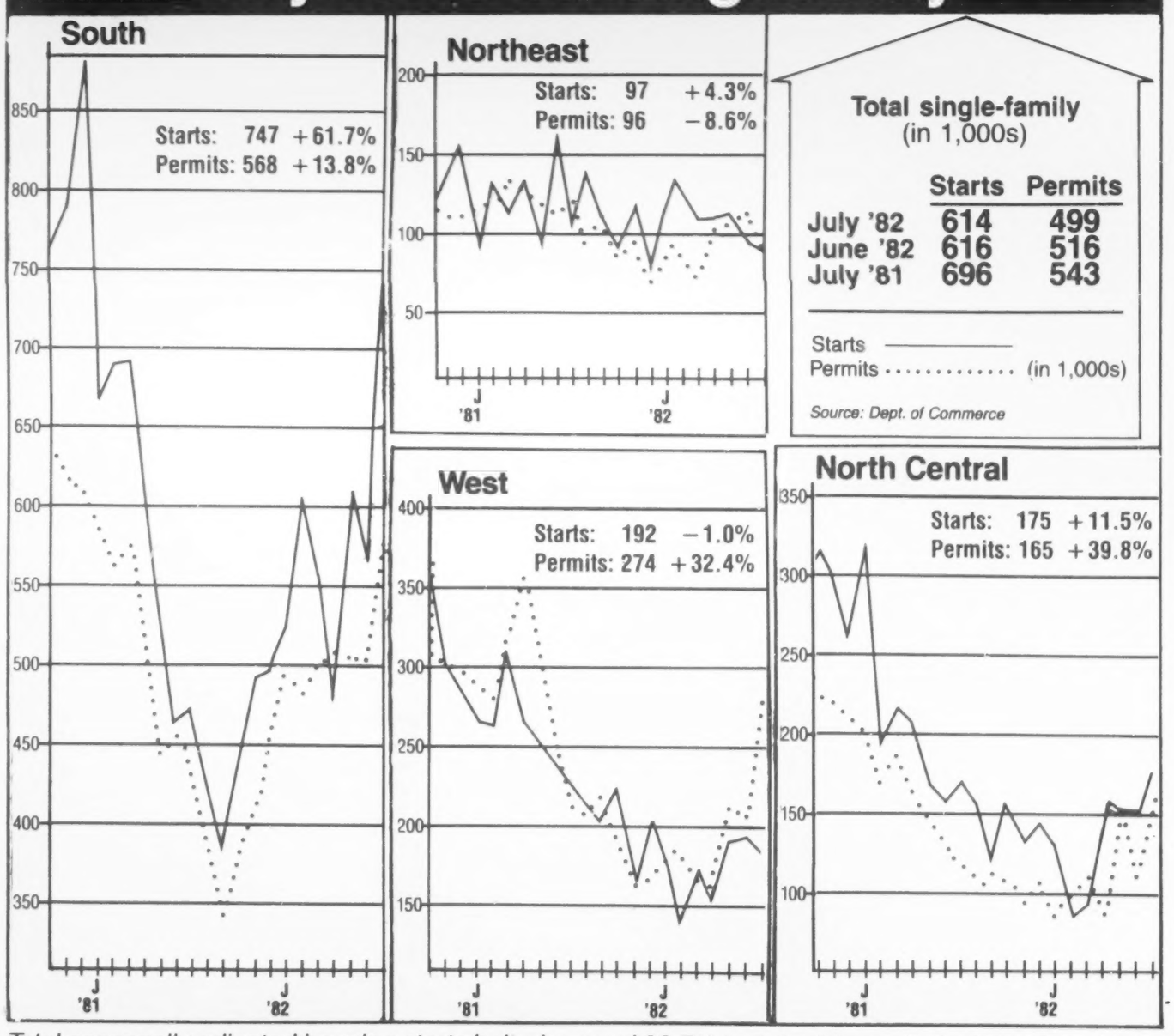
Although retailers have several FTC-approved options for providing warranty information to consumers, most have chosen to maintain binders or notebooks containing the manufacturer-prepared texts.

The specific changes under consideration now at FTC include raising the current $15 threshhold to spare chains the burden of maintaining warranty files for low-ticket items, and eventually indexing that dollar requirement to keep pace with inflation.

A separate plan under study at the commission would shift

(Continued on page 29)

July home-building activity



Total seasonally adjusted housing starts bolted upward 33.7% to 1.2 million units in July, after sinking 15.3% between May and June. Permits were also up, by a more modest 5.4%. The July surge, the largest since the Commerce Department has kept these records, brought total seasonally adjusted starts to their highest point since April 1981. It was only the second time this year that starts passed the million mark. However, most of July's growth was spurred by HUD multifamily building in the South. Total seasonally adjusted single-family starts and permits were both off from June. Starts dropped slightly to 614,000, while permits were down 8.3% to 499,000.

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National Home Center News®

Vol. 8, No. 20 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | September 27, 1982 | $7 per year $2 per copy

Evans puts its retail division on the block

By Kenneth Schept
NHCN senior editor

PORTLAND, Ore.—Evans Retail, the second ranking home center operation in the DIY industry, is for sale.

Parent company Evans Products said earlier this month that it hopes to sell as a package, its retail group's 341 Grossman's, Lindsley, Moore's, Alamo and Hubbard & Johnson stores operating in 20 states.

No price has been announced, nor were any potential buyers made known at presstime.

The retail division makes up 49% of the revenue, 56% of the earnings and 30% of the assets of Evans Products, which is also involved in home building, forest products and transportation equipment leasing.

The retail division's assets are currently valued at $285 million. Sales last year totaled $756.2 million, with sales to DIYers comprising $635 million, or approximately 85% of that total, putting Evans Retail just behind W. R. Grace as the leading retailer of home improvement items to consumers in the United States.

The sale was prompted by the need to raise cash for a debt burden that now totals $475 million in long- and short-term debt (two-thirds tied to the prime rate), according to Gary M. Christopherson, Evans manager, corporate communications.

"It was a long-range, tough-minded decision, which in the near term offered the greatest capital potential," he said.

While Evans Products ended last year with net earnings of $17.6 million, the company reported a $12.3 million loss for the first six months of 1982.

The company's home building and forest product divisions operated in the red during that period, a reflection of the recession that has crippled both of those industries. The shelter products division showed pretax earnings of $1.8 million, while the same figure for retailing was $16.05 million and for the transportation and industrial group, $32.6 million.

Because Evans' stock is depressed, selling at 8¾ the day the intention to sell was announced early this month, and because of the negative cash flow, a sale of assets became the only real alternative for meeting the mounting debt, according to Christopherson. It then seemed that putting one of the company's better performing divisions on the auction block would garner the best price.

The question now is who is going to bid and how much? Salomon Brothers is acting as investment broker for the deal and has been supplied by Evans with a potential buyer list that includes companies from both within and outside the industry.

The names of prospective buyers and the size of any potential deal are secret. Based on information from Evans and conversations with security analysts Evans' ballpark asking price would be higher than the

(Continued on page 66)

Evans profile

Shelter Products
Forest Fiber Products $122 mil. 8%
$119 mil. 8%
Custom-built homes $146 mil., 10%
Transportation Systems & Industrial $357 mil., 23%
Retail Group $756 mil., (341 stores) 49%
GROSSMAN'S
A DIVISION OF EVANS PRODUCTS COMPANY
MOORE'S
Figures based on 1981 sales.

"The potential capital gain from the sale of the retail group is intended to reduce the company's financial leverage and associated interest expenses. The restructuring will also enable management to devote greater attention and resources to the full-service leasing of transportation equipment."
Monford A. Orloff, Evans chairman, president and ceo.

Devalued Mexican peso pinches border biz

By Brad Altman
NHCN West Coast editor

EL PASO—Home center outlets here and in other cities and towns along the 1,760-mile United States-Mexico border have suffered as much as a 60% downturn in business since the Mexican government devalued the peso early last month.

El Paso "got like a ghost town," after news of the devaluation, said Victor M. Teran Jr., vp/gm of Economy Plumbing & Hardware Supply, a three-unit home center operation here. With its original store located on El Paso Street only a few blocks from the border, about 75% of its business normally comes from Mexican customers, Teran said. Since the devaluation, business has dropped between 55% and 60%.

Nearby, a Standard Brands Paint outlet with a relatively broad assortment of home center items, suffered a 50% decline in business, according to Sylvia Calderon, an assistant manager. The store was forced to lay off nine of its 29 full-time employees in the past few weeks.

Sales at one of Cashway Home Improvement's 68,000-sq.-ft. outlets near the border, were down almost 40%, according to Mike Mauldin, wholesale division sales manager.

And O'Malley Lumber, with two 15,000-sq.-ft. outlets here and a third border store in Nogales, Ariz., reported a 10% to 12% decrease in sales since the devaluation.

Although the percentage-point decrease is not devastating, said Dean Drake, gm of the Phoenix-based chain, the situation impacts on the "economic health of the town—and that's primarily the way it affects us."

Most retailers now report that the situation shows signs of improvement, following Mexican President Jose Lopez Portillo's decision earlier this month to nationalize the country's private banks.

Prior to that decision, however, the peso had been suffering a tremendous beating after the Mexican government devalued the currency Aug. 5, driving its value from 49 pesos

(Continued on page 66)

NEWSBREAKS

HECHINGER EXPANDS SOUTH. Hechinger, the 34-store mid-Atlantic chain, is expanding into North Carolina, with a Winston-Salem opening planned for February 1983. Two other stores will also be opened in that state early next year. The chain intends to hit Charlotte, Greensboro, Durham and Raleigh. Expansion of its distribution center allowed the chain to pass its 200-mile market.

INSIDE

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DIY chains adding lines as telephone sales surge

By Molly Brauer
NHCN field editor

NATIONAL REPORT—Telephone and telephone accessory sales in home centers have surged in recent months prompting a number of chains including Lowe's, Home Depot, and Pergament to enter the market.

Lowe's, the 232-store, North Wilkesboro, N.C., chain introduced a telephone and accessories program for all its stores just a few weeks ago. Lowe's will carry six sku's of telephones from two manufacturers, GTE and Sound Design: The phones, including some cordless models will retail between $19 and $139. The manufacturers are providing Lowe's with displays.

Lowe's will also carry 12 to 15 sku's of accessories by GTE in addition to the phones. Sound Design, a New Jersey company that Lowe's has dealt with for several years, will supply the most unique product—a clock-radio phone that will sell for $89.

Bob Cannon, vice president merchandising, thought that new laws requiring telephone

(Continued on page 66)

PERGAMENT
AUTOMATIC REDIAL FEATURE
NEW!
HAND HELD TELEPHONE
Use with rotary or touch tone system. Automatic last call redial feature, choice of white, beige, or chocolate.
REG. 29.99
19.99
WALL MOUNT HOLSTER 3.99

Pergament, the 40-store, Melville, N.Y., chain is one of the many home centers to enter the telephone market with the recent introduction of a promotional, hand-held telephone.

Renews fair-trade fight

Baxter defies Court on RPM

By Ken Rankin
Washington correspondent

Assistant Attorney General William Baxter stunned Senators and Representatives at two Congressional hearings with statements asserting that as Justice Department Antitrust Division chief he would not enforce Federal antitrust laws against resale price maintenance as directed by the Supreme Court.

Baxter said he has the "prosecutorial discretion" to ignore the Supreme Court and Congress and enforce retail price maintenance laws only where he saw fit, he also revealed his division still plans to intervene in private antitrust cases on behalf of manufacturers charged with illegal RPM activities.

These statements appear to have galvanized Congressional opposition to Reagan Administration refusals to enforce Federally mandated legislation against retail price maintenance. It also touched off a demand by Sen. Howard Metzenbaum (D-Ohio) for Baxter's im-

(Continued on page 64)

DIY Industry update

Informatics to market EAGLE

CHICAGO—The American Hardware Manufacturers Assn. (AHMA) has signed a joint licensing and marketing agreement with Informatics General, overcoming the final obstacle to plans to launch an electronic ordering system for manufacturers and distributors across the country.

Informatics General, a heavyweight among computer marketers, designed and marketed Order Net, the order-entry system used by the drug industry. It will rescue AHMA's software computer program EAGLE from the marketing limbo it fell into last year after a dispute between National CSS and AHMA developed when National CSS failed to introduce EAGLE on a national level. (*NHCN*, May 10).

The joint marketing and licensing agreement is a seven-year contract, which calls for Informatics to make sales calls on a national basis and hold regional seminars. Informatics will collect all fees from users who will sign contracts with Informatics. The company has already started work, and will put some customers on the system shortly.

As an incentive to prospective customers, Informatics will waive the $200 initial startup fee for anyone who signs up for the program before Dec. 31, 1982. After that, the fee will hold; manufacturers who are not members of AHMA will be charged $275.

William Plumb, director of Order Net services at Informatics, says that he doesn't anticipate any price resistance from wholesalers because of the value of the system in shorter order time and closer inventories. "As a snapshot picture, I don't think we'll have any trouble getting 100 to 150 companies by the end of the year."

According to Barry Moore, manager of computer services, users will be charged $28 per month for information storage, a processing fee of 2¢ per record for each distributor or other customer (a record contains up to 4 line items), and 8¢ per record for each manufacturer. "On a leasing basis, assuming that a new subscriber didn't have to buy any hardware a minimum configuration would cost about $400 or $500 per month," said Moore, who added that the leased equipment could be used for many other purposes.

Moore also noted that "of the roughly 200 responses, only six had no computer equipment at all."

The system could support a distributor using hand-held recording devices, such as those by MSI which cost about $200 and can plug into a telephone.

Forest City remodels kitchen dept.

CLEVELAND—Forest City is in the process of remodeling the kitchen departments in its 21 stores. The project was begun at the beginning of July, according to Paul Siegel, vice president-merchandising, and the chain hopes to complete the kitchen departments by the end of the year.

The motivation behind the remodeling, which will withdraw all built-in displays and replace them with modular, freestanding cabinets, is "to make more merchandise available for sale, and tie up less inventory." If a line is discontinued or falls out of fashion, it will be easier to sell according to Siegel.

Forest City may add suppliers or change a few, said Siegel, but the main change will be stylistic. The chain is dropping some outmoded lines in favor of a more modern look. At most outlets Forest City will carry about six lines of kitchen cabinets.

The cost of implementing the program will be minimal, "just the merchandise and the labor. It won't be necessary to spend much money on the displays; we might make some minor changes in lighting."

As for the merchandise in the old displays, Forest City plans to mark it down and sell it. In fact, beamed Siegel, "We got rid of some of it already at a recent warehouse sale"

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 20 September 27, 1982

Dealers push DIY clinics to boost ceiling tile sales

NATIONAL REPORT—Responding to claims by manufacturers that 75% of all ceiling tiles purchased are installed by DIYers themselves, home center operators are lining up in-store installation clinics with greater frequency this fall.

Ceiling tile promotions will also include a heavier dose of newspaper advertising and, in some instances, direct mailings, as retailers look to tie into their suppliers' nationally advertised programs.

"An important part of coordinating our ceiling tile promotions involves using manufacturer promotions in any way possible," said marketing vp Pete Muller of the 23-unit Lloyd Lumber, Danbury, Conn. "Nearly every home center in a given area this fall will be offering the same products that homeowners are looking for, but in the long run, it is creative marketing that will attract customers to your store."

Panel displays of ceiling tiles, showing different patterns and price points, are suspended from the ceiling over bulk packages of the product at Somerville Lumber's new Westboro, Mass.. unit. NHCN photo

Lloyd Lumber will be sending out its direct mail flyers to coincide with the national TV and print ad campaign of its ceiling tile supplier, Owens-Corning Fiberglas, Toledo, Ohio. The chain will also be offering prizes and incentives to its salespeople to direct customers to this product, which the chain has purchased through special discounts from O-C.

These marketing efforts, running on a monthly basis through the fall, will be linked to the customer seminars Lloyd holds to educate its consumers on the installation of ceiling tiles. "These seminars have been particularly successful; we average about 50 customers per session," said Muller. "More importantly, though, they enable customers to become familiar with our store personnel, to trust their opinion and ultimately to remain loyal customers."

However, not all chains have the trained management to run these clinics themselves, and most stores are relying primarily on the manufacturer to send its reps out to conduct the demonstrations. For example, Wolohan Lumber at presstime was hammering out the details for in-store clinics with its ceiling tile supplier, Armstrong, Lancaster, Pa., which sells most of its product through a vast network of distributors.

According to chain buyer Jerry Miller, the availability of manpower at the wholesaler level will determine how often the chain can hold such product knowledge sessions. He noted,

(Continued on page 64)

Kitchen/Bath Week goes unnoticed

POTTSTOWN, Pa.—National Kitchen/Bath Week, scheduled for Sept. 18-26 as a first-time nationwide promotion, received more play in the press than in the industry according to buyers at home centers across the country.

Robert Baker, director of administration for the American Institute of Kitchen Dealers, said the origins of the week-long promotion "came from our manufacturers' council." AIKD is made up of manufacturers of kitchen products and retail dealers—mainly independents.

Home center buyers contacted about their level of participation in this month's national promotion, however, indicated that SK Advertising's plan was ineffective, since few had heard about the promotion and those that did, heard too late to tie in.

The $150,000 promotion funded 50/50 by manufacturers and AIKD was endorsed by 26 associations, but the manufacturing associations did not get the word out at the retail level to home centers, retailers charged.

Penny Guido, account executive for SK Advertising and coordinator of National Kitchen/Bath Week, explained that her organization contacted 800 manufacturers and 50 indicated they would back the promotion.

Guido said, prior to the promotion, "We're just hoping it filters down through channels." The only retailers that Guido's organization is dealing with directly are those who've heard of the promotion in the press and have contacted her office directly.

"We're supplying dealers who heard about it, whether or not the manufacturers and distributors they deal with have contacted them or supplied them with materials." The National Kitchen/Bath Week headquarters had sent out POP kits costing $7 consisting of banners, streamers, counter

(Continued on page 64)

Design excellence highlighted at Hardware Show awards

CHICAGO–The Eighth Annual Hardware Industry Packaging Exposition honored 17 manufacturers for outstanding design in packaging and merchandising units in their respective product categories during Hardware Industry Week and the National Hardware Show here last month.

A panel of retailers and wholesalers judged 508 entries for such features as size, merchandising value, graphic design, originality and shelf life. The winners in the package division were:

Building supplies–Alliance Manufacturing, Alliance, Ohio, for its Genie Trac-Drive garage door opener system GS-840.

Hardware–Crawford Products, West Hanover, Mass., for its 8-ft. garage and tool organizer and its sawhorse bracket called "The Professional."

Paint & decorating products–Magicolor Paint, Wheeling, Ill., for its Protect House & Trim Flat Latex.

Hand & power tools–Duracraft, Northridge, Calif., for its Kart-All combination handtruck/dolly, and The Warren Group, Hiram, Ohio, for its Columbian–the Great Divider.

Lawn and garden–Melnor Industries, Moonachie, N.J., for its 3-gal. and 1.4-gal. "Spray Safe" pressure sprayers and its Time-A-Matic oscillating sprinkler with automatic shutoff.

Plumbing/electrical/energy–Reliance Water Heater, Ashland City, Tenn., for its "Show & Sell."

Automotive–USA Emergency Towing Products, Lodi, Calif., for its H-1113 tow rope.

Glassware/cookware/small appliances–Rush Hampton, Longwood, Fla., for its Ecologizer air treatment system.

The winners in the display merchandisers division were:

Semi-permanent counter units–Little Giant Pump, Oklahoma City, for its LG-2, pump display.

Permanent counter units–Carefree Bath Products, New Castle, Pa., for its Carefree "Limited Edition" faucet merchandiser.

Semi-permanent floor units–UNR Home Products, Paris, Ill., for its fall sale merchandiser display.

Permanent floor units–Amerock, Rockford, Ill., for its Cabinet Aides merchandiser/demonstrator.

Semi-permanent wall units–Pacific Electricord, Gardena, Calif., for its phone accessories merchandiser.

Permanent wall units–IVES, New Haven, Conn., for its Artisan Collection merchandising program.

Semi-permanent multiuse units–Credo/Omark Industries, Woodburn, Ore., for its Credo router bit merchandiser.

Permanent multiuse units–Henry L. Hanson, Worcester, Mass., for its heavy duty fractional drill cabinet.

LUMBER REPORT

Futures: Insurance against volatile prices

By William Knochel
Special to NHCN

Last July, when plywood futures were selling for about $11 less than cash prices, some retailers took advantage of the depressed futures market, bought plywood and took delivery.

In effect, the best prices on plywood during that period were not at the nation's mills, but at the Chicago Board of Trade, where plywood futures are traded.

Sharp buyers were able to recognize this fact and capitalize on it, putting their operations in position to either boost lumber margins, price more competitively or both.

Generally, of course, purchasers of lumber and plywood futures do not take delivery. Only 1% to 3% of all future contracts are actually delivered.

The July example is instructive because it underlines this rule for retailers: While you should not be in the futures market all the time, you should always keep an eye on it.

A matter of insurance

For building supply retailers a good way to view futures is as a form of insurance against the volatile prices of lumber and plywood, a hedge against uncertainty.

Some retailers who have achieved great sophistication dealing in futures also speculate, buying and selling futures as one would a stock, trying to be on the profitable side of the transaction.

But more commonly retailers use futures as a hedge, a management tool to offset the potential effect of price changes by taking an opposite position in the futures market from the one held in the cash market.

Regardless of price fluctuations, the contract establishes a fixed cost today for future wood supplies. This practice is particularly useful for those who do not have storage facilities or the capital to buy large amounts of inventory. Even if financing or storage is available, purchasing a futures contract can save interest and storage costs.

The main principle that hedging is based on is that cash and futures prices move in a roughly parallel pattern, with cash and futures prices generally increasing or decreasing simultaneously.

William C. Knochel, assistant vice president, Merrill Lynch Commodities

For most retailers, the type of wood specified in their futures contract represents a small part of their total lumber mix.

Futures are only traded on Western random length 2x4's, where a trading unit totals 130,000 board feet and Western plywood lots of 66 pieces each.

However, it is still possible to hedge other products included in the retail mix when price fluctuations can be closely correlated to the movement of a species that is traded.

For example, Southern pine dimensional lumber correlates well, particularly wider widths, although there are seasonal swings to be aware of. In contrast, cedar correlates poorly.

A basis for trading

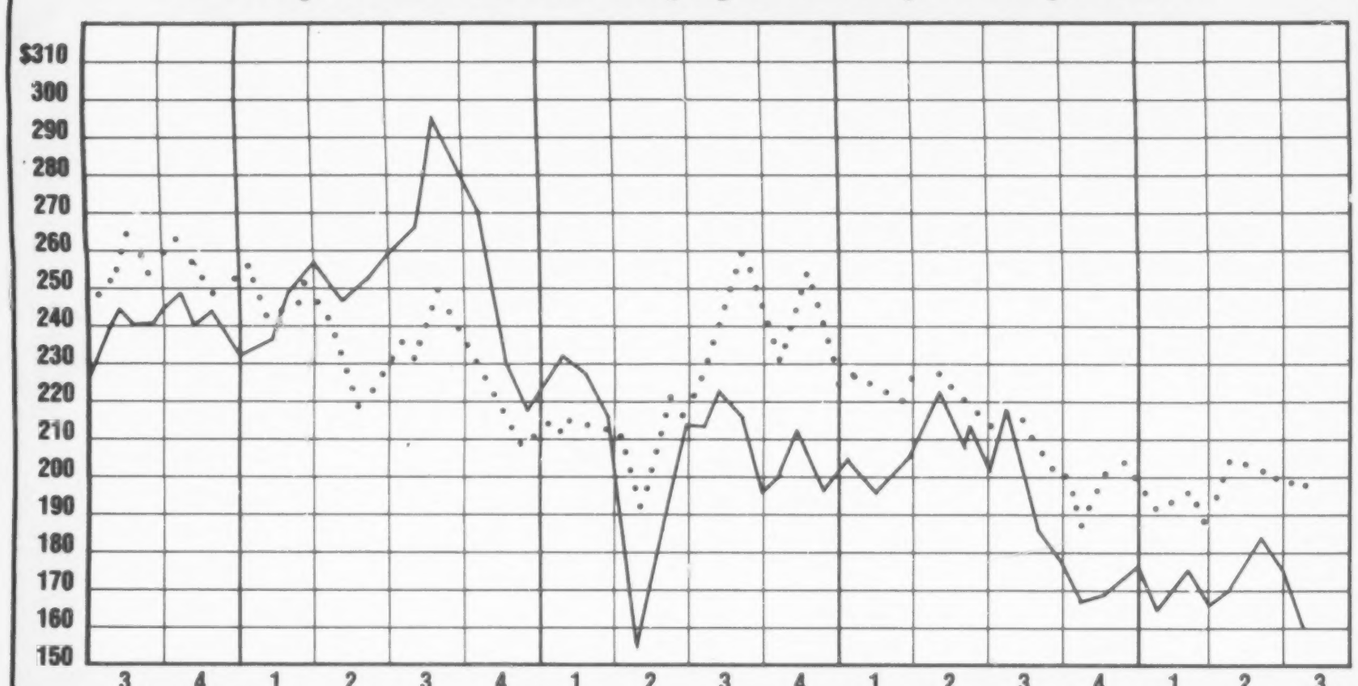
Since the correlation between traded and untraded species is not always perfectly parallel, the trick is to find a consistent price relationship between the two species. The difference between the items is called a basis.

Studying basis charts is a good way to gain familiarity with these price relationships. Changing prices of the futures and cash prices of species not traded are plotted over time. The subsequent graph reveals reliable price relationships, if they exist.

Having established those basics, one way a retailer could use futures is to offset losses from declining cash prices.

(Continued on page 64)

Composite lumber/plywood price profile



Source: *Random Lengths*

Despite a buying surge after the release of July housing numbers, which were optimistic at first glance, framing lumber prices softened.

At midmonth plywood production exceeded demand, which also meant a downturn in prices.

During August framing lumber averaged $160 per thousand board feet and plywood averaged $196 per thousand square feet, based on Random Length's *weighted measure of nine framing and seven plywood key items.*

The corresponding average prices for July were $174 and $200 respectively.

FUTURES

Two weeks ended Sept. 3, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	138.80	132.00	133.40	134.10	765	229.50	123.70
Nov.	147.80	138.80	140.80	140.70	2,847	224.50	129.50
Jan. '83	156.90	148.60	150.70	150.80	1,227	205.50	139.00
March	165.20	157.30	159.60	159.60	322	209.80	146.80
May	170.90	163.00	165.00	166.50	231	202.00	151.50
July	177.00	170.00	173.00	171.50	293	201.00	158.00
Sept.	180.20	171.00	175.10	173.50	186	187.90	163.80

Total Contract Vol. (Through 9/3): 17,284 — **Previous Two Weeks: 14,711**
Total Open Interest (As of 9/2): 5,905 — **Previous Week: 5,893**
Cash Price: $133.28 — **Previous Week: $133.28** — **Year Ago: $144.06**

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	173.80	166.00	171.40	169.90	209	224.50	152.00
Nov.	176.30	169.00	174.00	172.50	529	226.50	154.80
Jan. '83	179.40	172.50	176.50	175.50	361	218.60	157.00
March	183.50	176.00	179.50	179.00	144	196.30	162.50
May	187.20	179.50	183.00	182.00	120	194.20	167.00
July	191.50	183.10	186.50	186.10	74	191.50	170.00

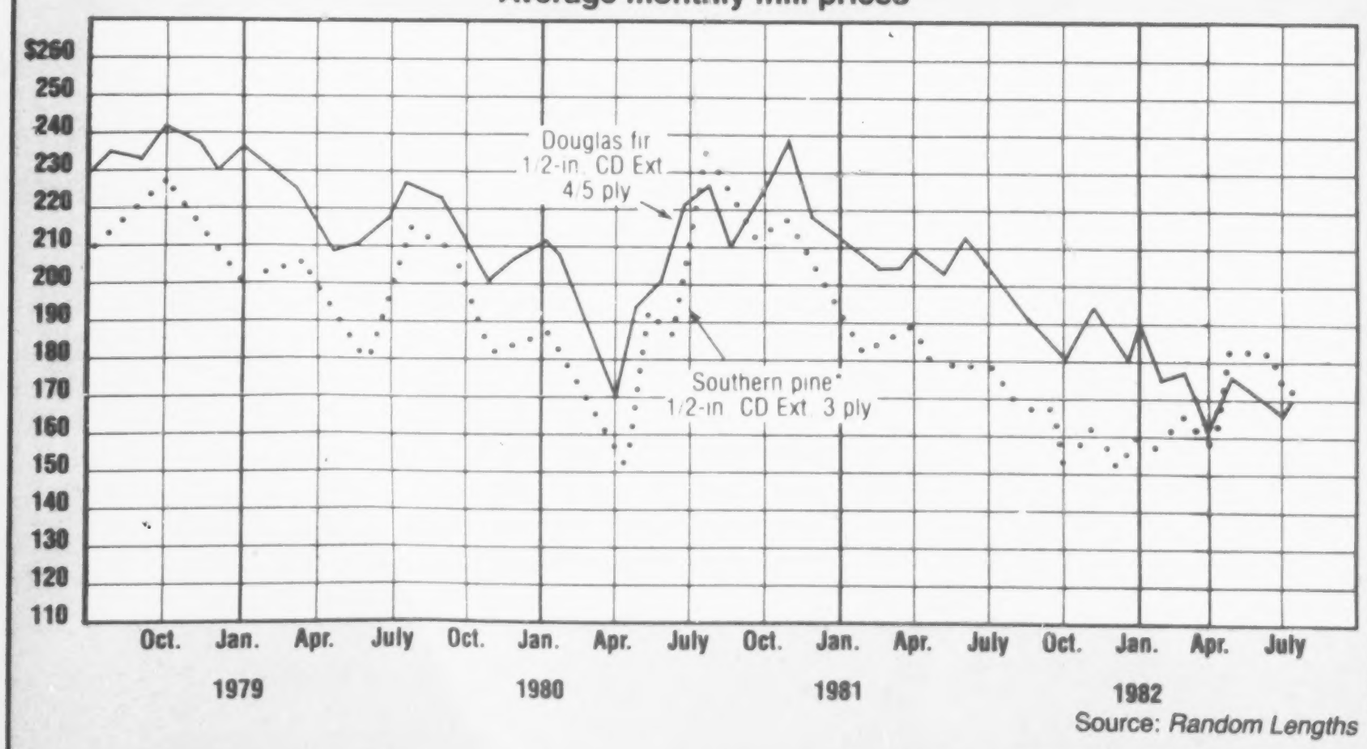
Total Contract Vol. (Through 9/3): 2,373 — **Previous Two Weeks: 3,018**
Total Open Interest (As of 9/2): 1,437 — **Previous Week: 1,599**
Cash Price: $172.48 — **Previous Week: $172.48** — **Year Ago: $186.20**

COMMODITY RESEARCH BUREAU INDEX:	This Week 239.8	Previous Week 235.5	Year Ago 275.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thursday, Sept. 9, 1982.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Commodity close-up: Western & Southern Plywood

Average monthly mill prices



Source: *Random Lengths*

August opened slowly but Douglas Fir sales picked up toward the middle of the month, about the time that the stock market was making the financial future look a little rosier.

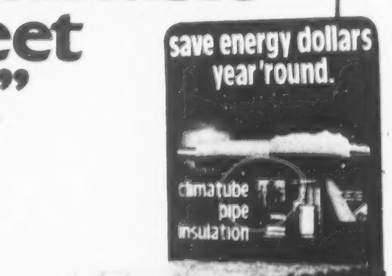
Southern prices turned around at about the same time, with sales heaviest to distribution centers and retailers.

Westside Southern pine ½-in. CD Ext. 3-ply started the month at $173 per thousand square feet, but ended at $188, about as high as it's been in a year.

Western ½-in. CD Ext. ⅘ ply ended August at $176 per thousand square feet, having begun the month at $165.

Monthly averages for Southern and Douglas Fir were, respectively, $174 and $170. The corresponding figures for July were $178 and $166.

"The most profitable 2½ square feet in the store."



...That's been the word from our retailers. In fact, dealers who took advantage of our program turned an average of 19 cartons a month at an *excellent* gross margin.

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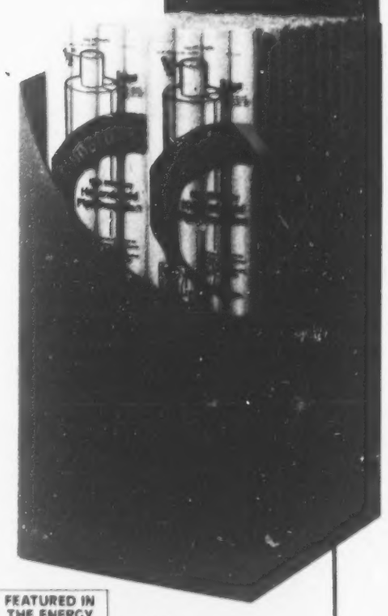
Get in on Climatube's fast turning, profit-making program today. Send for our exciting new dealer support brochure, or contact your Climatube representative or wholesaler.



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Merchandising exteriors . . . p. 25

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National Home Center News®

21 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc.

October 11, 1982
$7 per year $2 per copy

Hechinger to extend reach into Lowe's home market

LANDOVER, Md.—Hechinger's decision to plunge into the heartland of Lowe's country is still raising eyebrows among home center followers both in and outside the industry.

The plan, as officially unveiled last month, calls for extending the 34-store chain's reach significantly beyond its traditional 200-mile market area, with the opening of five new stores in North Carolina. The first is scheduled to debut in Winston-Salem in February 1983. Other outlets are slated for Greensboro, Durham, Raleigh and Charlotte.

The lure to expand into North Carolina was the prospects for growth, says chain president, John W. Hechinger. The recent expansion of Hechinger's distribution center by nearly 25% to 500,000 sq. ft. will allow the Landover, Md.-based operation to nearly double its market radius.

In addition, the chain is installing a computer system that will integrate an extensive backhauling system so that Hechinger trucks can pick up goods from suppliers en route back to the distribution center.

According to Hechinger, the distribution center will be capable of servicing up to 55 stores.

That is nearly as many stores as Lowe's operates in the state of North Carolina alone.

"Lowe's has more stores in North Carolina than in any other state," acknowledged Richard England, Hechinger chairman. "But some of their oldest and most out-of-date stores are there."

Still, the announcement of the expansion plan surprised many industry observers who expected Hechinger, which had sales of $210 million in 1981, to concentrate on Philadelphia where it opened its third store last month and has plans for a total of 15.

Eliot Benson, vice president and director of research at Ferris & Co., Washington, D.C., sees great risk in Hechinger's southern venture.

The main obstacles, according to Benson, is Hechinger's unfamiliarity with the market, the distance and Lowe's.

(Continued on page 50)

Hechinger will enter North Carolina for the first time early next year, a move made possible by the expansion of the chain's distribution center. NHCN photo

Number of brands carried

	Paint	Stain
One	59%	45%
Two	29%	38%
Three	8%	9%
Four	2%	6%
Five or more	2%	2%

Survey: Quality, service key in paint vendor choice

By John Caulfield
NHCN associate editor

NATIONAL REPORT—Six out of every 10 home centers now stock only one brand of paint, and 9 out of 10 stock only two brands, indicating dealers are making do with fewer paint lines, according to a new industry survey conducted by *National Home Center News*.

Dealers also indicated that for vendors vying for shelf space, quality ranked highest as a reason retailers choose a paint product, followed by vendor service and delivery.

The survey, conducted this summer, found that 88% of the 171 home centers responding said they carried only two paint lines, with a full 60% using only one vendor; in the stain category, 83% of the respondents were stocking two brands, with 45.3% carrying one.

In fact, a trend toward fewer paint lines was illustrated by the survey's data showing that only 12% of the participating home centers carried three or more paint brands, 17% three of more stain lines. One hundred out of 176 total respondents stock national brands only.

From the total of 80 paint and stain brands carried by the respondents, it can be concluded that one or two stain lines have cornered the home center market, although no one paint

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Plywood Minn sells 8 units; only 9 left

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Plywood Minnesota has sold its eight stores in the Chicago market, leaving the Minneapolis-based chain with only nine units total compared with 64 just a year ago.

The Chicago stores were sold, at an undisclosed price, to a married couple with retailing backgrounds who plan to keep the Plywood Minnesota name and refine the chain's basic approach.

According to Mary Baim, president of the Chicago firm, the eight stores produce sales of about $10 million per year, although at their peak each unit accounted for $2 million annually.

The original chain will concentrate in the markets where its nine stores remain—Minnesota, Iowa, North Dakota and Indiana—according to Gerry Boschwitz, who now runs the company along with his brother Ken.

Plywood Minnesota never fully recovered from the departure of their father, Rudy Boschwitz, the firm's founder,

(Continued on page 49)

Chains ready campaign war chest

By Ken Rankin
NHCN Washington correspondent

WASHINGTON—Home center chains and industry trade groups increased their political fund-raising efforts dramatically since the 1980 Reagan landslide and now appear in a position to contribute over $400,000 to Congressional candidates in next month's elections.

An exclusive *National Home Center News* analysis of Political Action Committee reports on file at the Federal Election Commission uncovered no less than 10 home center industry fund-raising groups actively collecting campaign contributions for Federal and state candidates.

By the Government's most recent (mid-July) filing deadline, these home center PAC's had already collected more than $350,000 since the 1980 elections, in addition to another $45,000 left over from the last Congressional campaign.

Although home center PAC's have already doled out more than $180,000 during the past 22 months to selected political candidates, over half of the industry's total "war chest" is still available for 11th hour contributions during the '82 campaign home stretch.

Both trade association and corporate fund-raising committees are permitted by law to

(Continued on page 49)

Where home center campaign money is going

Sponsor	$ Contributions to:* Democrats	$ Contributions to:* Republicans	# of Contributions to: Democrats	# of Contributions to: Republicans
Boise Cascade	$ 1,800	$ 19,800	3	26
Cyclops	2,300	1,200	6	4
SW Forest Industries	4,532	4,800	6	7
Union Camp	7,300	35,100	19	49
W. R. Grace	3,750	1,400	15	5
Weyerhaeuser	9,025	6,800	12	9
Weyerhaeuser (shareholders)	12,275	18,025	23	30
Wickes	200	1,100	1	2
TRADE ASSOCIATIONS				
Nat'l Forest Products Assn.	27,225	23,175	51	57
TOTALS	**$68,407**	**$111,400**	**136**	**189**

*Source: NHCN analysis of FEC records. *Congressional candidates only. Cyclops operates Busy Beaver, Union Camp operates Homecrafters*

NEWSBREAKS

SITES AVAILABLE. Home center retailers are likely to join the scramble to claim 336 leased Woolco locations now that F. W. Woolworth, New York, has decided to close its $2.3 billion discount store division early next year. The chain was once ranked No. 3 in total number of DIY departments among discounters (*NHCN*, Oct. 22, 1979) but trimmed the departments considerably about a year ago in favor of a beefed up apparel image.

INSIDE

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HOME DEPOT launches promo blitz for DIY clinics 3
RETAILERS are wary that anticounterfeiting bill is a smokescreen for enforcing retail price maintenance 3

DIY Industry update

Lindsley forms two regions

MIAMI—Lindsley Home Centers is undergoing a major restructuring, according to general manager Hank Kirschner.

The 43-unit, $155-million operation is being divided into two regions, he said. And there are several top-level managerial changes.

Shawn Lee, a former FedMart and Montgomery Ward executive and Bill Van Note, Lindsley's director of operations-administration, were named to head the regions. Van Note also previously worked at Boise Cascade and Grossman's, which, like Lindsley, is an Evans Products chain.

Martin Amici, who directed marketing at Forest City and Gold Triangle replaces Dave Wicker as Lindsley's new director of marketing-advertising. Wicker had been with Lindsley about a year.

Also departing is Ed McClelland, Lindsley senior vice president of store operations who had been with the chain for six and a half years.

Kirschner, who joined Lindsley from Grossman's last spring after the departure of Pat Sher (*NHCN*, May 10), reportedly asked McClelland to give up some control.

Paty launches new prototype

Paty Lumber, Piney Flats, Tenn., will launch a new prototype next month aimed at building DIY sales.

The $33 million chain, which is about 65% DIY, is now in the process of converting its Johnson City, Tenn., store. By the end of the year all six of the firm's units will be changed over, according to John Seward Jr., president.

The Johnson City store will expand from 18,000 to 20,000 sq. ft., with an additional 18,000 sq. ft. of attached outdoor space.

The other units range in size from 7,500 to 20,000 sq. ft. and will be changed in varying degrees. All will be remodeled with a race track layout, and sku's will be increased from the current average of about 10,000.

Wallpaper and other decorative items will be strengthened, according to Seward, and lawn and garden will be expanded.

Fla. chain takes Home Shop name

JACKSONVILLE, Fla.—AMSHEL, the real estate and retailing company, has announced the rechristening of its second hardware chain acquisition. Towers Hardware and Home Centers, a Jacksonville chain, acquired by AMSHEL last June, will become The Home Shop officially on Oct. 1.

The eight Towers locations to come under the new banner will incorporate The Home Shop concept of a big business with a neighborhood feel and a mix of merchandise to accommodate women as well as men. Two new stores will join the chain in Jacksonville in November bringing The Home Shop total to 24 stores.

AMSHEL plans to continue its expansion of the Richmond, Va.-headquartered Home Shop chain throughout the Southeast, in particular Florida, in small- to medium-sized cities over the next several years.

Lowe's planning super RSVP

CHARLOTTE, N.C.—Lowe's is developing a 20,000-sq.-ft. version of its RSVP consumer-oriented store design, chairman Robert Strickland revealed late last month at a meeting here of the Financial Analysts Federation.

The design is still on the drawing board, Strickland told *NHCN*, and possible markets for the Super RSVP store remain a secret. But he acknowledged the extra space would be used to deepen the 233-unit chain's product mix, rather than for additional product categories.

So far the North Wilkesboro, N.C., chain has retrofitted 95 of 117 stores slated for the RSVP face-lift, at an average cost of $100,000 per store. Most of those stores offer about 12,000 sq. ft. of selling space.

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

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Vol. 8, No. 21 October 11, 1982

Scotty's shifts gears in Orlando to meet Home Depot competition

By Greg Puchalski
NHCN senior editor

NEW YORK—Scotty's officials have already employed new strategies in Orlando, Fla., in preparation for their first test against The Home Depot in that market. The changes were announced at a meeting with the New York Society of Security Analysts here last month.

Many of the analysts passed up the opportunity to question Scotty's about its internal operations and its recently released annual report.

Instead, they focused on Scotty's reactions to recent developments at their Florida competitors, particularly The Home Depot, which has announced plans for two units in Orlando, and Lindsley, which along with other Evans Products retail chains is on the block (*NHCN*, Sept. 27).

"We've already started with our promotions in the area," said executive vice president Dennis Stults about Orlando. "We can have different prices at each one of our stores if we wanted to and in Orlando, we already have some unique pricing."

"The Home Depot might have to lower some of their prices to compete with us."
James Sweet, chairman, Scotty's, Winter Haven, Fla.

"We've already started with our promotions in Orlando. We already have some unique pricing there."
Dennis Stults, executive vice president, Scotty's.

In general, the chain's officials indicated that their nine stores in the Orlando area are well-suited to meet any competition there.

"We've always been promotional and we'll continue that," related chairman James Sweet. "We're there first. Competition is not new to us. We wouldn't treat The Home Depot any different than any other competitor. We have good prices and we feel no one is buying any better than we are.

"The Home Depot might have to lower some of its prices to compete with us. We have been familiar with them and their style since they opened, but we have several formats too. We have a set strategy. They'll see a different environment in Orlando than they saw in Miami."

The Home Depot's main Miami competitor, Lindsley, also drew interest from security analysts and from Scotty's officials because of its parent Evans' plans to dispose of its retail outlets.

"We've had an interest in Lindsley stores for a long time," Sweet said. "We always wanted to be in that market [southern Florida]. We're inter-

(Continued on page 50)

Causeway set to close 2 units; DIY brass out

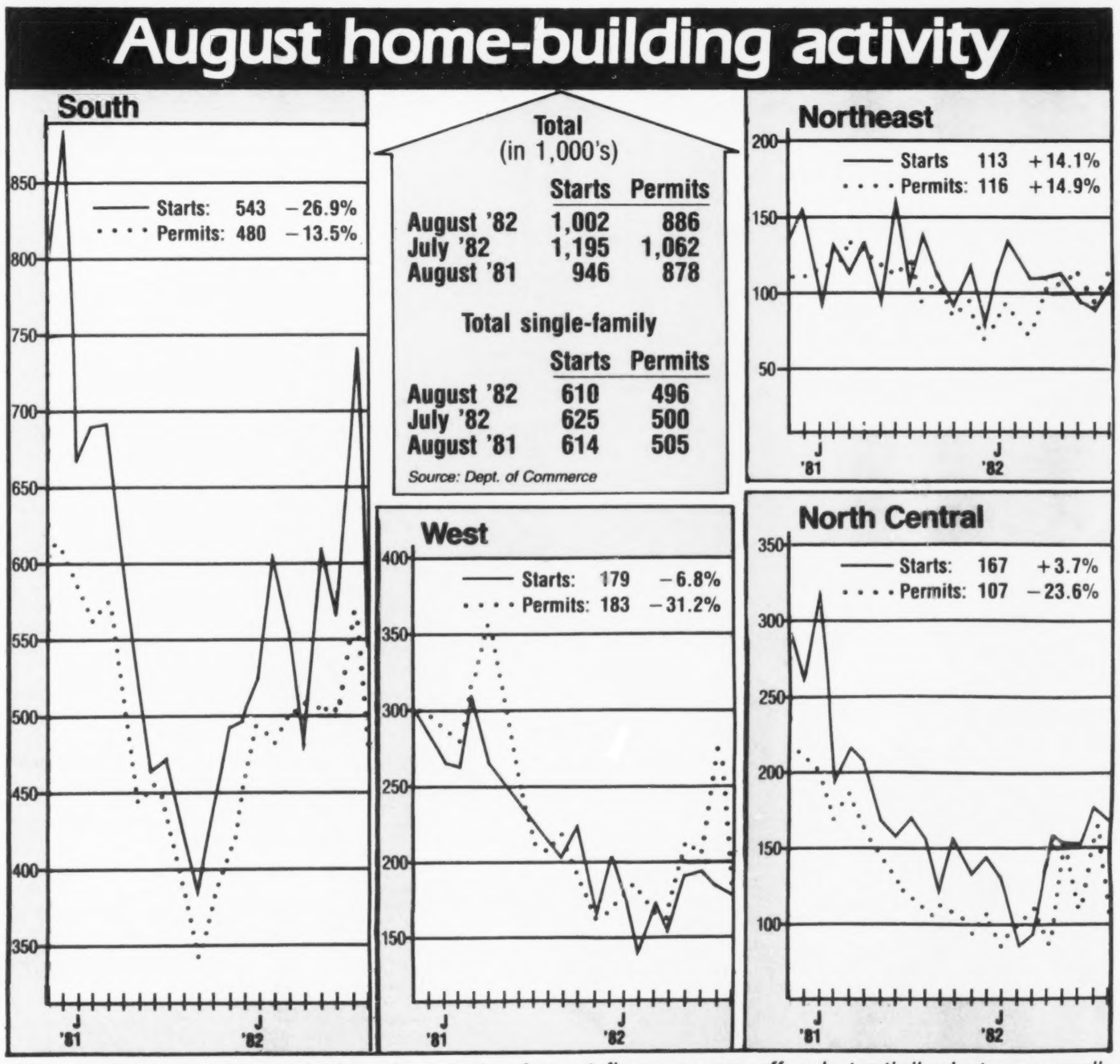
FORT LAUDERDALE, Fla.—Causeway Lumber plans to close two of its four Red Thumb home center units, located in Plantation and Margate, Fla., on Oct. 30, while opening one home center in Bonita Springs where it already has a Causeway Lumber Yard.

According to director of retail operation Scott Widdon, son of the chain's chairman Gene Whiddon, the "change in buying patterns" in the state's Broward County precipitated the closings. However, the Bonita Springs unit, set to open Oct. 25, will be located between Naples and Fort Myers. The latter is one of the 10 fastest-growing metropolitan areas in the country. When the stores are closed, "approximately" 40 employees will be let go, according to a Causeway source.

In the wake of the chain's cutbacks, general manager Glenn Spoor and buyer Kamal Kanafani have left the company. Each was concerned exclusively with the Red Thumb operation.

No replacements have been named. At presstime, their reasons for departure were not given.

August home-building activity



After July's sharp upturn in housing starts, August figures were off substantially, but seasonally adjusted total starts remained just above one million. July's figures were fueled mostly by strong Government building in the South. Seasonally adjusted starts in that region were off 26.9% for August. Total seasonally adjusted permits were also off, 16.6%. Total seasonally adjusted single family starts were 610,000, off 4.1%. Permits for that category totaled 496,000, off 1.2%.

MERCHANDISING SPOTLIGHT

Survey: Quality and service key in paint vendor choice

(Continued from page 1)

maker showed overwhelming dominance. However, while the paint market remains spread out among numerous major manufacturers, only a handful received a high response level in the survey.

When asked what criteria they considered "very important" in selecting one paint vendor over another, the highest number of responding dealers, 73%, said that a quality product was foremost in their decision, with 58% ranking service and 55% vendor delivery. (Respondents to the questionnaire generally listed more than one characteristic under "very important.")

Surprising among those vendor requirements getting low grades were POS merchandising (25%), packaging (23%) and private labeling (a very low 21% in this ranking). In fact, while almost all of the top 15 home center chains in the country stock their own paint brand to some degree, only 32% of the survey's respondents claimed to do so, which is even more peculiar in light of the fact that, according to the study's results, private label sells: of the 56 dealers who said they carried private label paint, 57% noted the product made up more than half of their paint departments' volume, with 43% reporting that private label paint generated over 60% of their stores' paint sales.

Retailers have complained in the past that the home center industry has been over-promoting paint and sundries to the detriment of product profitability (*NHCN*, Aug. 16), an assessment only partially borne out by the survey. There does appear to be more promotional activity going on among the survey's respondents: 31% promote paint monthly, 21% do so biweekly and another 17% promote on a weekly basis.

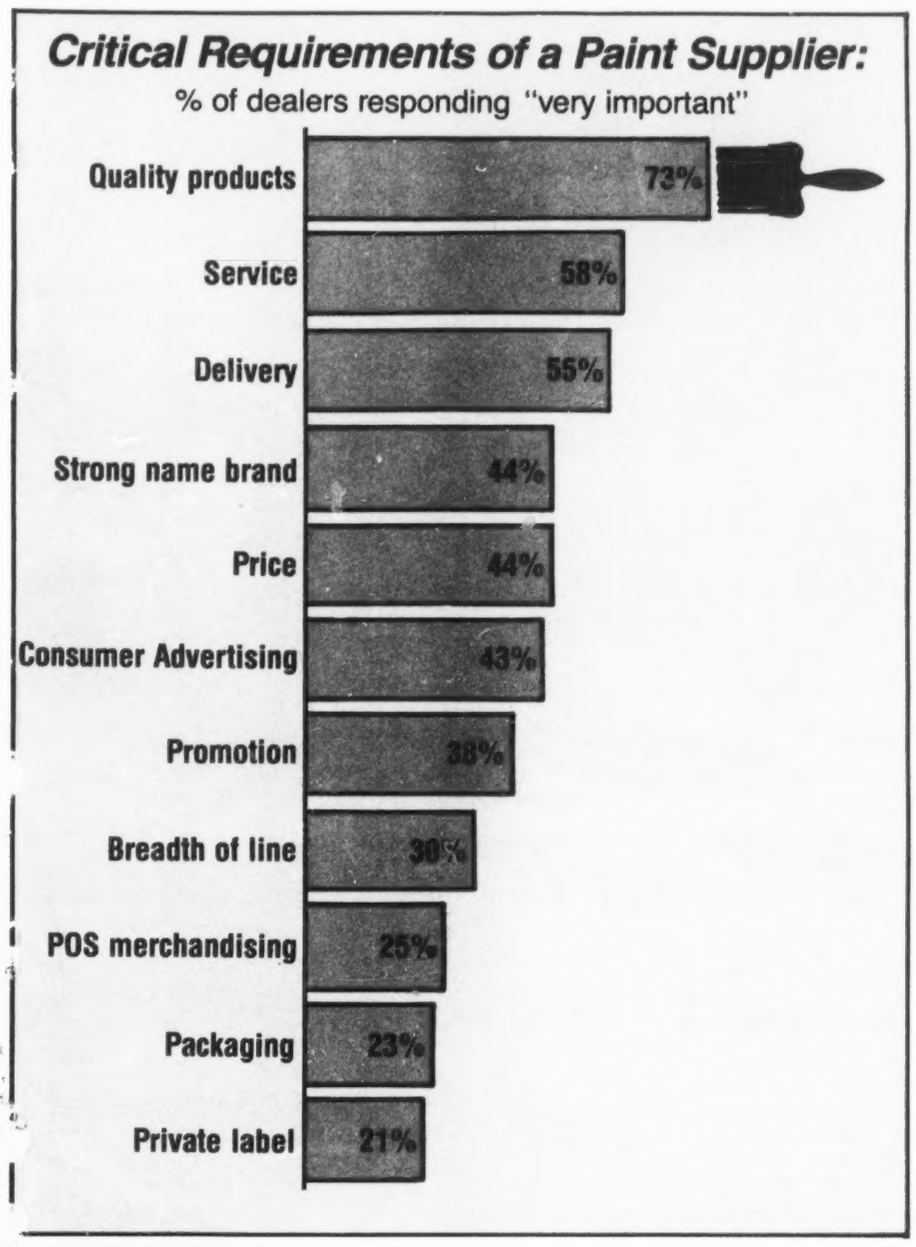
But whether the frequency of these promotions has eroded the sales and earnings an individual dealer derives from paint is difficult to gauge from the survey. For instance, when it came to gross margin, a remarkably high 45% of the responding home center operators claimed that their stores' average gross margins on paint were above 35%, with another 39% capturing gross margins of between 26%-35%. (According to the Home Center Institute, Indianapolis, the projected 1982 gross margins from the sale of paint and sundries in the home center industry will average 34.4%.)

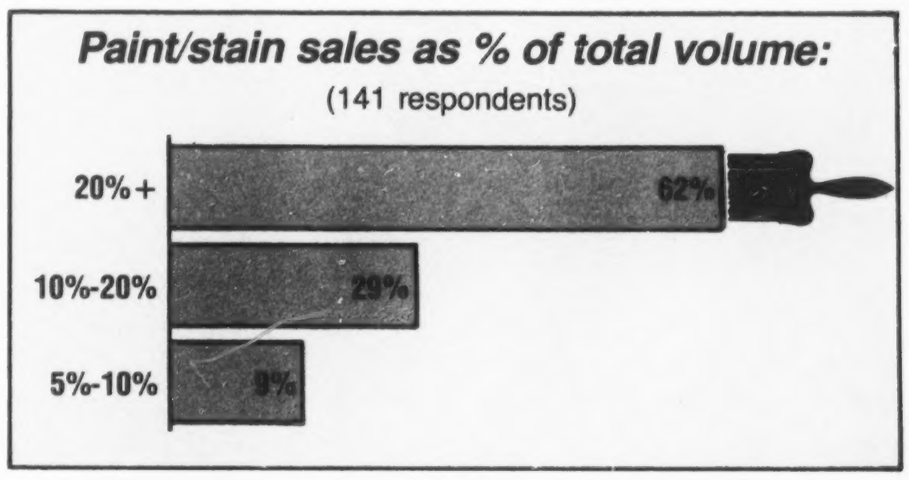
However, the significance of paint sales and earnings as a percentage of a store's total volume could be adversely affected by over-promotion. For 61% of the responding dealers, paint represented less than 10% of their stores' total gross profit. The product made up between 10%-20% of the total gross profits for 18% of the responding home centers, and 21% of the retailers said that paint represented over 20% of their stores' earnings.

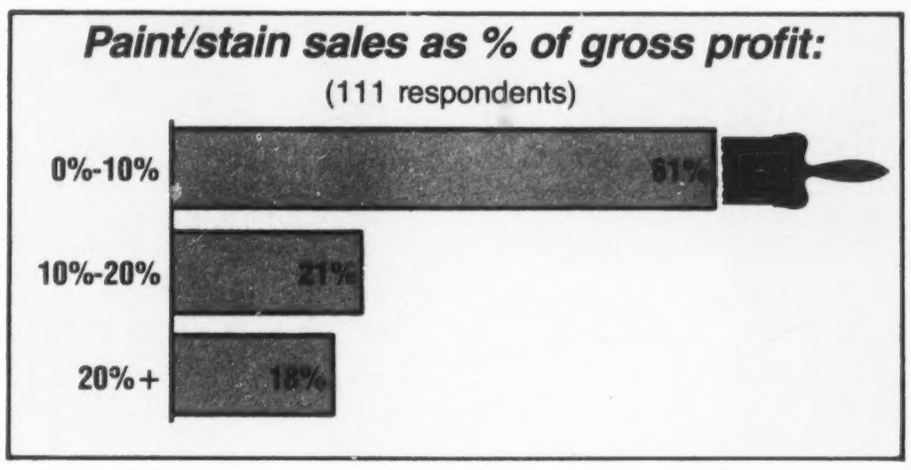
Revenues pretty much followed suit with earnings: 62% of the respondents were getting less than 10% of their total sales from paint and stain, with 29% of the dealers getting between 10%-20% of total volume from the products, and another 9% claiming that paint made up over 20% of their stores revenues.

Nineteen out of 150 retailers answering the question said they were thinking of adding to or changing their paint lines this year.

Forest City's Cleveland headquarter store uses a suspended extension ladder as a cross bar to merchandise its paint sundries with its stains and paints. NHCN photo







DIYers are applying exterior products indoors

BIRMINGHAM, Mich.— When Erb Lumber decided to remodel five of its 33 units last year, it chose 1 x 4 tongue and groove siding for both inside and outside applications.

The kiln-dried, inland red cedar was used outside for store fronts and inside to highlight certain areas like lowered soffits over the checkout area.

Erb officials were pleased with the new look and with a surprising result: customers started asking for the siding, which at the time was not in stock.

It is now. Erb has since sold more than 100,000 board feet, according to Pat Young, vice president, purchasing. The siding sells for 33¢ per linear foot at a margin near 50%.

About 60% of the product is bought for interior applications. That fact has prompted Erb to see its siding program in a new way.

"We're looking at wood siding for interior applications, for accent walls," said Young.

DIYers looking for quality

Consumer acceptance of outside products for inside purposes was also noticed by Bernie Bernstein, president of Mid-State Lumber, a Somerville, N.J., wholesale operation that sells mostly to retail yards.

Mid-State offers 1 x 6 clear cedar and redwood that is being used both inside and out. Inside use would be the rough equivalent of spending $33 per 4 x 8 sheet of paneling, an expensive alternative for wall covering.

But, said Bernstein, "People are becoming more quality minded. They're moving less and when they put something up, they put it up to stay."

According to Bernstein, the interest in quality means not only that customers are willing to use an expensive exterior product inside, but also that they are ready to pay high prices for top quality material on the outside of their homes.

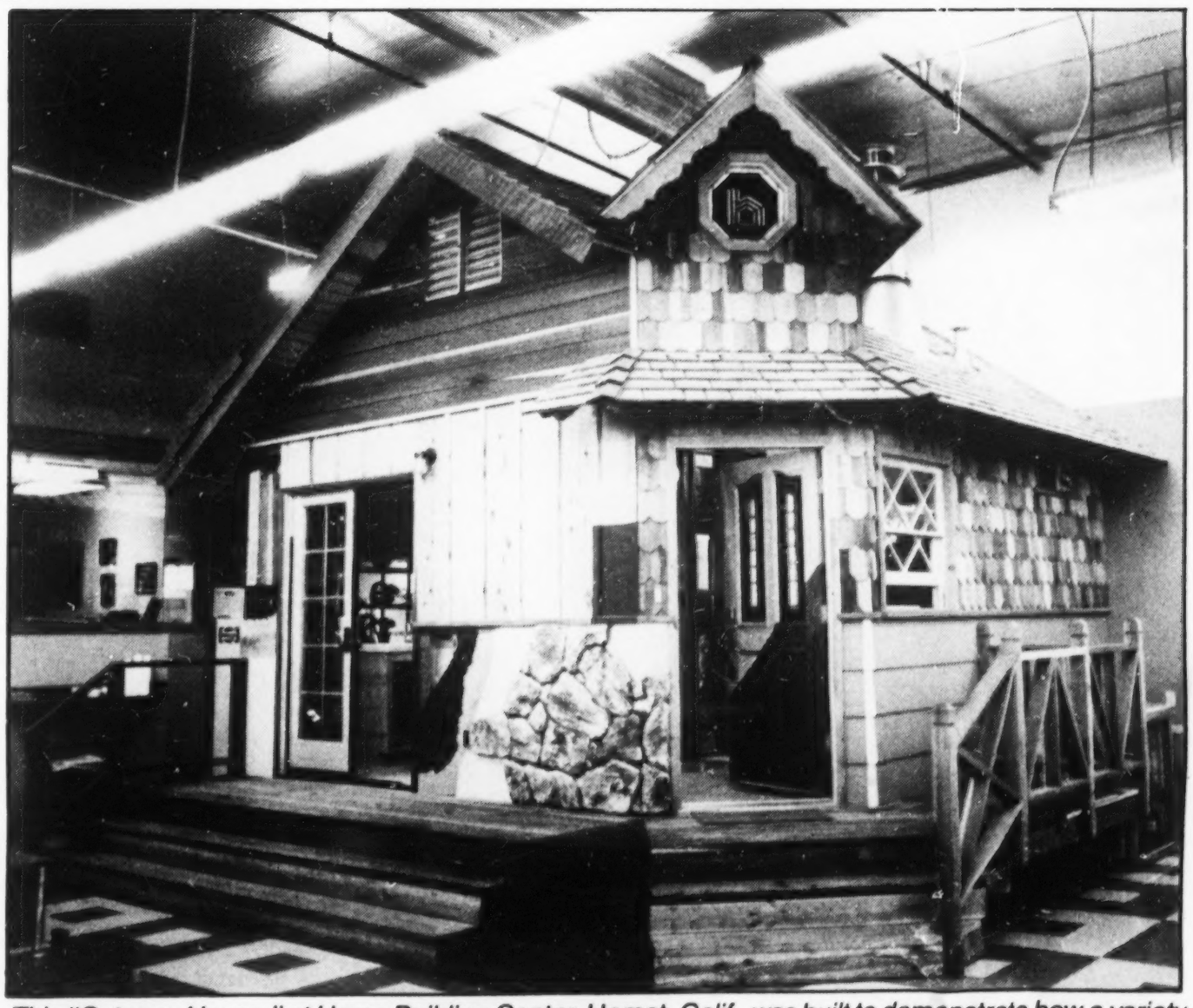
"DIY customers have been asking for and buying higher grade siding for replacement work," he said.

"People who used lesser grade products have found that weather conditions caused them to have to replace it in less than five years. "People are now recognizing that it pays to make one good investment."

According to Bernstein, who receives two to three carloads of siding per month, consumer interest in quality also means a preference for natural wood.

"We gave up hardboard," he said. "It seemed to be going into the condo-townhouse mar-

(Continued on page 30)



This "Cutaway House," at Home Building Center, Hemet, Calif., was built to demonstrate how a variety of DIY products and projects comply with local codes, showing board and batten, scalloped shakes, lap siding and an artificial stone facade. NHCN photo

MERCHANDISING SPOTLIGHT

Vinyl to garner 30% of siding market by '95

NATIONAL REPORT—Vinyl is expected to be the fastest growing siding material during the next 15 years, achieving more than a 30% share of the siding market by 1995, with 13.8 million vinyl squares projected for use that year.

This increase will triple the 4.6 million squares of vinyl siding used in 1980 and will be at the expense of aluminum, brick, steel, lumber and wood shingle market share, although hardwood and plywood siding will continue to grow.

These results are contained in a survey prepared by Predicasts Inc., the Cleveland market research firm. The shift to vinyl seems to be already under way in the home center industry.

Rowley Lumber Building Center, a $4,000,000 Middletown, N.Y., operation took on vinyl two years ago and is now liquidating its inventory of aluminum.

Erb Lumber has just started a vinyl trial program at six northern Michigan stores.

"My guess is that pricing is a factor," said Mike Lindbert, an Erb Lumber buyer of vinyl's growing popularity.

According to Rich Rowley, a Rowley sales manager, "Aluminum priced itself out of the market."

He said that there is a $10-per-square difference between the cost of vinyl and aluminum. For an average house that takes about 18 squares, using the less expensive siding represents a saving of $180.

With extras included, the money saved by using vinyl probably amounts to about $250, said Rowley. On a $1,500 sale the siding customer could spend about 17% less by choosing vinyl.

Reasons for customer selection of vinyl over aluminum seem to rest on more than price alone.

"Vinyl has improved over the years," said Lindbert.

"The fade factor is less," Rowley said. "The color goes all the way through. It's not just on the surface as with aluminum."

Vinyl is not without its disadvantages, however. It tends to show the imperfections of buildings, which is more of a problem with remodeling than with new houses, according to Rowley.

Rowley sold 2,800 squares, or $175,000 in vinyl siding in 1981, and is now looking into vinyl replacement windows.

The company promotes a white double-four siding at $47.99 per square and offers six colors at $55.79. Beige, gold, yellow, brown, green and white are stocked.

The margin on siding is only about 20%, while, as with many products, the profit is in accessories, which bring about 85%, according to Rowley.

A full compliment of "J" channels, corner posts, starter strips, under sills strips, soffits, facia and gutters can bring in $400 to $500, he said.

Whether siding a house with vinyl is a DIY project is another matter.

"Based on my experience it is not a DIY item," said Erb's Lindbert, "although manufacturers have created an awareness of the product."

Rowley disagreed. "It is a DIY item. If a DIYer is putting up vinyl a little at a time, there's no damage. It won't dent. It's almost indestructable."

SIDING MATERIAL MARKET
(in million of squares)

Product	Total 1980	Total 1995	New Constr 1980	New Constr 1995	Replacement 1980	Replacement 1995	Additions 1980	Additions 1995
Aluminum	5.8	5.3	2.1	2.3	3.5	2.6	0.2	0.4
Steel	1.3	0.9	0.3	0.4	0.9	0.4	0.1	0.1
Vinyl	4.6	13.8	0.7	5.9	3.7	7.3	0.2	0.6
Brick	7.7	6.1	6.9	5.2	—	—	0.8	0.9
Hardboard	5.8	7.7	5.0	6.6	0.1	0.1	0.7	1.0
Plywood	5.2	5.9	4.4	4.9	—	—	0.8	1.0
Lumber & Wood Shingle	1.1	0.5	0.8	0.3	—	—	0.3	0.2
Asbestos-Cement	0.4	—	—	—	0.2	—	0.2	—
Other	2.4	5.0	1.2	3.7	0.5	0.6	0.7	0.7
TOTAL	**34.3**	**45.2**	**21.4**	**29.3**	**8.9**	**11.0**	**4.0**	**4.9**

Source: Predicasts Inc., Cleveland NHCN chart

Vinyl is expected to gain 30% of the siding market by 1995. While this growth will come at the expense of other materials, use of hardboard and plywood squares is also expected to increase.

CALENDAR

(Continued from page 30)

Jan. 30-Feb. 1
Quebec Hardware and Home Centre Show, Quebec Municipal Congress Centre, Quebec City, Ontario.

Jan. 30-Feb. 1
Winter National Hardware and Home Center Show, Las Vegas Convention Center, Las Vegas.

Jan. 30-Feb. 1
Western Retail Lumbermen's Assn. (WRLA) 93rd Annual Convention, Westin Hotel, Winnipeg, Manitoba.

Feb. 6, 7
J. Leven & Co. 71st Anniversary Trade Show, Birchwood Manor, Whippany, N.J.

Feb. 13-16
1983 Canadian Hardware Show, Industry Building/Coliseum Complex, Toronto.

Feb. 15-17
Middle Atlantic Lumbermens Assn. 91st Mid Atlantic Regional Exposition & Convention, Hershey Lodge & Convention Center, Hershey, Pa.

Feb. 19-21
Ohio Hardware Assn. Mid America Show, Marriott Inn North, Columbus, Ohio.

Feb. 22-24
Builder Marts of America (BMA) 12th Annual Independents Days products & management services exposition, Hilton Hotel, Atlanta.

Correction

The lumber and building materials department at All American Home Center, Downey, Calif., is completely enclosed under one roof. A photograph in *NHCN*'s Aug. 16 issue showed the department when some merchandise was outdoors. The new addition, consisting of 28,000 sq. ft., was added to an existing, 15,000-sq.-ft. department (*NHCN*, April 12, 1982).

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FINANCIAL NEWS

SALES & EARNINGS

Company	Period Ended	Current Sales*	Year-Ago Sales*	% Change	Current Earnings*	Year-Ago Earnings*	% Change
Erb Lumber	6/30-2nd qtr.	$ 26,828	$ 35,675	– 25	$ 511	$ 917	– 44
Forest City	7/31-2nd qtr.	111,867	101,303	10	3,095	687	351
Hechinger	7/31-2nd qtr.	67,228	57,721	16	3,004	2,191	37
Hines Lumber	6/30-2nd qtr.	49,221	55,471	– 11	–23,468	– 503	—
The Home Depot	8/1-2nd qtr.	33,063	10,607	212	1,923	425	352
Lowe's	8/28-4 wks. 7/31-2nd qtr.	79,200 291,576	67,700 268,560	17 9	— 8,513	— 7,697	— 11
Pay 'n Save	7/31-2nd qtr.	263,188	239,045	10	4,055	3,776	7
Payless Cashways	8/28-3rd qtr.	172,832	137,082	26	6,866	4,749	45
Rickel Home Centers	7/31-2nd qtr.	66,671	56,152	19	—	—	—
Scotty's	8/28-4 wks. 7/3-4th qtr. 7/3-Year	22,815 89,879 308,013	21,466 85,203 294,433	6 5 5	— 3,473 11,095	— 3,601 11,081	— – 4 —

*$ in thousands

STOCK PRICES

	As of 9/16	52-week High	52-week Low	P/E Ratio
Boise Cascade (NYSE)	26⅞	37⅛	19¾	10
Diamond Int'l (NYSE)	40⅛	41¼	26¼	51
Evans Products (NYSE) [Alamo Ent., Grossman's, Moore's, Hubbard & Johnson, Lindsley]	8	25	4⅞	—
Forest City (AMEX)	13¾	14⅝	11¼	—
W. R. Grace (NYSE) [Angels, Cashway, Channel, Handy City, Handy Dan, Orchard]	36⅞	46½	28½	4
Lowe's (NYSE)	23	23	10½	23
Payless Cashways (NYSE) [Furrow]	28¾	29½	15¼	17
Scotty's (NYSE)	19¾	21¼	12	12
Southwest Forest Industries (NYSE) [Dunlap's, Knox Lumber]	9¼	20¼	7¼	—

*$ in millions

Over-the-counter stocks

	As of 9/16 Bid	As of 9/16 Asked	52-week High (Bid)	52-week Low (Bid)
Erb Lumber	8¾	10½	13¼	7½
Hechinger	22⅜	22⅝	24⅛	15¼
Hines Lumber	14¾	16	20	13
The Home Depot	27	27⅛	28¼	6⅛
Pay 'N Pak	14⅛	14⅜	15⅝	11⅝
Pay 'n Save	22⅞	23	26⅜	16½
Scotts Seaboard [Scott's]	¾	1⅛	2⅝	⅝
Wolohan Lumber	4⅞	5⅛	5⅛	3

Lowe's builder biz up 8% in Aug.

NORTH WILKESBORO, N.C.—In August Lowe's reported its first monthly increase in builder sales since June 1981 and continued to make major gains in its retail business during the month, officials said.

Lowe's professional volume increased 8% to $34.2 million in the four weeks ended Aug. 28 compared to the same period a year ago while retail sales jumped 25% to $44.9 million.

The increases gave Lowe's an overall 17% business rise for the month to $79.2 million, 57% of that coming from the retail segment, officials said.

The gains also came on the heels of a 9% sales hike in the second quarter ended July 31 to help produce an 11% increase in net income compared to the second quarter of 1981. Lowe's net income for the quarter was $8.5 million on sales of $291.6 million.

Company officials attributed the earnings gain to the 233-store chain's emphasis on retail business, which reached 57% of total volume compared to 51% a year ago. The emphasis helped lead to an improvement in gross margins from 24.34% in the second quarter last year to 25% this year.

Other factors contributing to improved earnings were continued control of operating expenses, a reduced charge to earnings due to lessened inventory inflation and increased taxes paid as a percentage of sales, officials said.

Barbara T. Alexander, an analyst with stockbroker Smith Barney, New York, was not totally pleased with the results.

In a report, she indicated that gross margins should have increased more on the strong sales increase. She also pointed out that selling, general and administrative expenses rose 13% in the quarter mainly from increased salaries.

In addition, Lowe's interest and loan expense more than doubled in the period to $1.5 million, partly as a result of the need for more inventory to stock its 16 new stores opened in the past year and its remodeled units (*NHCN* Oct. 27, 1980), Alexander said.

Ernst helps net grow 7% in 2nd qtr. at Pay 'n Save

SEATTLE—A strong performance and solid improvement in operating results from Pay 'n Save's Ernst Home Center division helped the parent company post modest sales and earnings increases in its second quarter ended July 31, vice chairman Calvin Hendricks said.

While Ernst figures were not disclosed, Pay 'n Save had a net income rise of 7% to $4.1 million on a sales gain of 10% to $263.2 million in the period compared to a year ago.

Hendricks said about 7% of the company's sales increase was attributable to greater sales in existing stores. Pertaining to its home centers, Pay 'n Save is opening no new Ernst units this year (*NHCN*, June 7). Ernst comprises 68 of Pay 'n Save's 250 outlets.

The company's second quarter results also were helped by a decline in interest expense from $6.4 million to $5.8 million in the period although gross margins declined slightly "due to aggressive marketing and promotional activities," according to Hendricks.

Diamond files merger proxy to process Goldsmith deal

NEW YORK—The proposed merger of Diamond International with a company affiliated with Sir James Goldsmith (*NHCN*, March 1) is progressing.

Diamond, operators of 119 home centers throughout the country, has filed preliminary proxy material dealing with the merger, among other things, with the Securities and Exchange Commission.

Under the merger proposal, Diamond stockholders would receive $44.50 for each share of Diamond common tendered. The merger must be approved by a majority of Diamond board members and by a majority of board members not affiliated with Goldsmith companies.

Holders of 85% of Diamond's common must also approve.

Home Depot 2nd-qtr. net up 352%

ATLANTA—Home Depot reported a 212% increase in volume for the second quarter ended Aug. 1. Chain officials attributed the increase to the better than expected results from the Miami-area stores, opened in the latter half of 1981.

The sales gain, which enabled the company to reach $33.1 million in volume compared to $10.6 million in the same period a year ago, helped the chain's net income grow 352% to $1.9 million.

Market-by-market breakdowns of sales and earnings were not available.

A net interest income for the quarter of $92,803, compared to last year's interest expense of $80,570; along with the company's 630,000 common share offering in May, and its operating results also helped the company's net income.

Stockholders' equity grew from $2.7 million last year to $15.6 million this year.

Officials also announced that they had made a new loan agreement to increase funds available to $8 million at a lower rate.

"The new agreement has removed several financial restrictions and provides more flexibility in expanding our operations," they said.

Home Depot officials have said they will open two stores in the Orlando, Fla., market and "are actively pursuing other locations in the Sunbelt."

Erb net off 44% in 2nd quarter

BIRMINGHAM, Mich.—Erb Lumber experienced a 44% decline in net income on a 25% decrease in revenues during its second quarter ended June 30 compared to a year ago, company officials reported.

Earnings for the period fell to $511,000 on sales of $26,828,000, giving the 36-unit chain a $697,000 net loss on $42,867,000 in revenues for the first half of the year. Both six-month figures are off 1981's results of $769,000 in net income and $59,476,000 in sales.

Retail volume in the periods did not help the company significantly. DIY sales in the second quarter were off 8% and in the first half were down 7% from 1981 results, according to officials.

DIY sales are bright spot in Hines' 2nd-qtr. losses

CHICAGO—A 13% increase in do-it-yourself sales was just about the only bright spot for Edward Hines Lumber in the second quarter, according to a report to Hines' stockholders.

Continuing wholesale and retail operations incurred a $212,000 loss with overall retail volume about the same as the prior year's, the report said.

In addition, the company's discontinued manufacturing operations suffered a $3.5 million loss, and Hines Lumber included a special charge of $19.8 million "for all projected losses and costs involved in the [planned] withdrawal" from the manufacturing business (*NHCN*, July 5) in its second quarter results.

"The special charge incurred in the second quarter includes substantial reserves for possible operating losses and disposition costs," company president and ceo Edward Hines said in the letter. "Accordingly, the company does not expect to report additional deficits from this business."

The losses added up to a $23.5 million net loss for the company in the period, on net sales of $49.2 million, down 11% from a year ago, officials said.

Hines noted that the company expects to have the divestiture of its sawmills substantially completed in a year.

"Upon completion of the divestiture program," he said, "the company estimates that it will have at least $15 million in excess cash after repayment of liabilities directly related to the mill business."

Although it is unclear how the money will be used, Hines' retailing will likely get its share. The chain, with 25 retail outlets in the Chicago market, has been emphasizing additional DIY sales.

In fact, Hines said in the letter, "This area of specialty retailing represents substantial opportunity for better utilization of the company's strong reputation in the Chicago market."

He explained that the company is expecting to report profits from its retail and wholesale businesses in the second half, a time when they usually produce most of their profits.

FUTURES

Two weeks ended Sept. 17, 1982

	High	Low	Close	Previous Week	Open* Interest	Contract High	Contract Low
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.							
Sept.	136.50	127.60	127.60	131.60	36	229.50	123.70
Nov.	144.50	134.80	134.90	135.40	2,490	224.50	129.50
Jan. '83	154.80	144.50	145.50	145.80	1,457	205.50	139.00
March	162.30	154.90	155.20	155.40	482	209.80	146.80
May	168.50	163.40	164.50	164.50	221	202.00	151.50
July	176.50	170.00	171.10	173.00	410	201.00	158.00
Sept.	178.50	171.00	175.50	175.00	219	187.90	163.80

Total Contract Vol. (Through 9/17): 12,772 — Previous Two Weeks: 17,284
Total Open Interest (As of 9/16): 5,364 — Previous Week: 5,872
Cash Price: $133.20 — Previous Week: $133.28 — Year Ago: $139.16

PLYWOOD (CBT)—76,032 sq. ft. ½-in. ext. 4/5-ply; $ per 1,000 sq. ft.							
Sept.	172.00	166.20	167.50	167.50	59	224.50	152.00
Nov.	175.00	167.50	169.50	169.90	602	226.50	154.80
Jan. '83	177.60	171.50	172.70	173.20	376	218.60	157.00
March	181.00	175.50	176.50	176.50	158	196.30	162.50
May	184.00	178.80	180.00	180.20	118	194.20	167.00
July	188.50	182.00	183.20	183.70	110	191.50	170.00

Total Contract Vol. (Through 9/17): 2,043 — Previous Two Weeks: 2,373
Total Open Interest (As of 9/16): 1,423 — Previous Week: 1,361
Cash Price: $166.60 — Previous Week: $170.52 — Year Ago: $183.26

COMMODITY RESEARCH BUREAU INDEX:	This Week	Previous Week	Year Ago
	232.9	239.8	274.5

CME—Chicago Mercantile Exchange — CBT—Chicago Board of Trade
*Figures for Thureday, 9/16/82.
Open interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Campaign war chest

(Continued from page 1)
contribute to state as well as Federal candidates, but to date, only a sliver ($8,717) of the industry's PAC support has gone to state office seekers.

As a group, home center industry political fund-raisers were far more generous to Republicans than Democrats, according to *NHCN*'s computerized analysis of the Federal Election Commission's files.

Of the more than 300 contributions made by home center PAC's to Federal candidates as of F.E.C.'s midsummer filing deadline, a clear majority (58%) went to Republicans. GOP Congressional candidates enjoyed an even bigger edge in terms of total dollars, pocketing 62% of the funds contributed by industry PAC's.

For some individual corporate PAC's the partisan tilt was even more lopsided. Of the 29 Congressional candidates receiving contributions from Boise Cascade's fund-raising committee, only three were Democrats. Union Camp's PAC, meanwhile earmarked 83% of its dollar contributions for Republicans.

In contrast, other industry PAC's (including Southwest Forest Industries' committee) split their contributions more evenly among candidates from both parties, while a few (including Weyerhaeuser and the National Forest Products Assn.) bucked the GOP trend and channeled more money to Democrats.

The dollar amounts contributed to candidates by home center political action committees ranged from token, $100 donations to individual payments as high as $3,000 to several key Senators.

Again Republicans held a distinct edge, receiving an average of $589 from industry PAC's vs. and average of only $502 for Democrats.

Typically, home center fund raisers made substantially larger contributions to Senate hopefuls than to candidates seeking House seats. Although 85% of the industry's total PAC contributions went to House candidates, Senate hopefuls received 40% of the dollars.

Although Political Action Committee fund-raisers often solicit donations from industry execs by stressing the importance of bringing fresh, new pro-business faces to Congress, *NHCN*'s analysis found that home center PAC's tend to play it safe by earmarking the overwhelming majority of their contributions to incumbents.

In fact, only three of the PAC's included in the survey had made any contributions at all to Congressional challengers during the critical '82 primary election period, and of the 325 home center industry campaign contributions tracked by *NHCN*, only five went to nonincumbents.

The candidates receiving the heaviest support from the home center industry fell generally into three categories: powerful chairmen of key Congressional committees; incumbent Congressmen facing stiff opposition in the upcoming elections, and Senators and House members representing geographic areas of special concern to the industry.

Geographically, home center chains tended to provide the strongest financial support for Congressmen from Western and Midwestern states. Of the eight candidates receiving the largest total contributions from industry PAC's, not one represented a state east of the Mississippi.

The leading recipient of home center industry PAC funds (at least through the F.E.C.'s mid-July political action committee reporting deadline) was Utah Republican Sen. Orrin Hatch.

Hatch, who faces a potentially tough re-election battle against his Democratic challenger, Salt Lake City Mayor Ted Wilson, occupies a pivotal position in Congress. As chairman of the Senate Labor Committee, he is in a position to influence a wide variety of legislation concerning home center chains, from National Labor Relations Board procedures to the Federal minimum wage rate.

Senate Housing and Urban Affairs Subcommittee Chairman Richard Lugar (R-Ind.) ran a close second to Hatch in home center campaign contributions, collecting a total of $4,500 from industry PAC's. Lugar's panel holds sway over a broad range of legislation affecting Federal housing policy.

The industry also channeled $4,500 to support the campaign of David Durenberger—Minnesota's freshman Republican Senator. Durenberger faces a tough challenge for Hubert Humphrey's old Senate seat from his wealthy Democratic opponent, Dayton Hudson department store chain heir Mark Dayton.

Other Congressional candidates who received strong support from home center industry political fund-raising groups during the primary campaigns include Rep. Norman Dicks (D-Wash.), $3,900; Rep. Thomas Foley (D-Wash.), $3,000; Sen. Slade Gorton (R-Wash.), $2,000; Sen. John Melcher (D-Mont.), $2,000; Rep. Philip Gramm (D-Tex.), $1,900, and Sen. David Emery (R-Me.), $1,750.

Boise Cascade's PAC, one of the largest and most successful of the industry's political fund-raising committees, collected over $75,000 in donations since the 1980 elections, and still had well over $50,000 on hand for the home stretch of this year's campaigns.

According to *NHCN*'s survey, Boise's PAC is one of the industry's most politically partisan: of the more than $21,000 in campaign funds contributed since the last Congressional elections, less than $2,000 went to Democrats.

Union Camp's committee also raised just over $75,000 since the last elections, but unlike Boise, this PAC paid out most of these donations during the primary period. Union Camp's contributions were also tilted heavily toward GOP candidates, with Republicans receiving $35,000 of the $42,000 spent through midsummer.

W. R. Grace, in contrast, supported Democrats over Republicans by a 2 to 1 margin, and also tended to offer larger contributions to Democrats. Grace's PAC has raised more than $12,000 for this year's elections, and still had a warchest of more than $9,000 as of the Government's latest reporting deadline.

Unlike other home center industry firms, Weyerhaeuser maintains two separate PAC's, each with its own distinct philosophy for supporting political candidates.

The larger of the two—Weyerhaeuser's Shareholders' PAC—contributed about half of the $60,000 collected since the '80 elections during this year's primary contests. Unlike most other home center industry fund-raising groups, the company's shareholder's PAC supported several Congressional challengers.

While the Shareholders' PAC backed Republicans over Democrats by a substantial margin, Weyerhaeuser's regular political action committee offered the bulk of its funds to Democratic candidates. In addition, that PAC, which has collected nearly $20,000 for this year's campaign, was the only home center fund-raising group to make any contributions to state or local candidates.

In addition, while Weyerhaeuser's Shareholders PAC spread its contributions around to candidates from some 30 different states, the company's smaller PAC concentrated on Congressmen from the Pacific Northwest. Almost 90% of that committee's contributions went to candidates from Oregon, Washington and California.

NHCN's computerized survey also uncovered two smaller industry fund-raising bodies, Cyclops' PAC (which collected less than $10,000 for the '82 elections) and Wickes' committee (which had raised some $8,400 before its activities were terminated following the chain's Chapter XI filing).

Who's who in home center political fund raising

Sponsor	PAC collections for '82 campaign*	$ on hand from '80 election	PAC CONTRIBUTIONS TO: Federal candidates	State candidates	Other PAC's	Admin. costs	$ available for '82 campaign
Boise Cascade	$ 76,236	$ 2,295	$ 21,600	—	—	—	$ 56,931
Cyclops	8,611	1,297	3,500	—	—	—	6,408
SW Forest Industries	9,125	7,124	9,332	$6,717	—	—	200
Union Camp	77,352	15,958	42,400	2,000	—	$1,950	46,960
W. R. Grace	12,170	2,060	5,150	—	—	—	9,080
Weyerhaeuser	19,350	3,805	15,825	—	$3,525	—	3,805
Weyerhaeuser (shareholders)	59,950	7,563	30,300	—	—	1,125	36,088
Wickes	8,395	—	1,300	—	—	—	7,095
TRADE ASSOCIATIONS:							
Nat'l Lumber & BM Dealers Assn.	—	2,606	—	—	—	2,000	606
Nat'l Forest Products Assn.	81,149	2,823	50,400	—	—	—	33,572
TOTALS	$352,338	$45,531	$179,807	$8,717	$3,525	$5,075	$200,745

Source: NHCN analysis of FEC records **As of 7/15/82*
Cyclops operates Busy Beaver, Union Camp operates Homecrafters

Plywood Minnesota

(Continued from page 1)
who left in 1978 after his election to the U.S. Senate.

"He knew the nuts and bolts of the business," said his son Gerry. "Getting smaller is allowing us to learn the nuts and bolts."

The Chicago sale, which was finalized July 16, followed the closing of three other stores earlier this year in Davenport, Iowa, Omaha and Franklin Park, Ill.

Last September Plywood Minnesota's 44 franchise units were sold to a group of franchisees who now operate them as decorator centers called Floor to Ceiling Stores.

According to Gerry Boschwitz, the decision to shrink Plywood Minnesota came because the economy, with severe unemployment in the chain's upper Midwest market, had hurt sales. Also, getting smaller offered the best alternative for gaining more control over the company's future.

Sales for 1981, which the chain ended with 20 stores, were estimated at $20 million. At its peak with 64 stores, Plywood Minnesota's volume was estimated at just under $1 million per unit.

The Boschwitz brothers, both in their early 20's and recently graduated from college, plan no major departures from the Plywood Minnesota merchandising formula, essentially a warehouse approach that emphasizes interior decorating, kitchen, and bath products.

They continue to consult with their father and with Bruce Thompson, a member of the board and family friend who served as interim president after the departure of Jim Grogan (*NHCN*, Jan. 4).

New specialty warehouses

The new owners also plan to keep to the original Plywood Minnesota merchandise orientation, according to Baim, president of the new firm, Plywood Minnesota of Illinois.

New yellow and black graphics have been added to the outside of the Chicago outlets, with the design of the Plywood Minnesota logo suggesting a warehouse presentation.

Inside, the stress will be on kitchen and bath, wallpaper, paneling, carpet and flooring. Baim calls the outlets specialty warehouse stores.

"Part of Plywood Minnesota's problem was that it got away from what it was," she said. "They became fashionable decorating centers and they were warehouses."

Another factor was absentee management, she said.

Baim was wallpaper merchandising manager for a Chicago paint and wallpaper specialty retailer, Saxon. Her husband, Bob Lance, vice president and treasurer of the new firm, formerly owned Dreeblan Paint, a Chicago manufacturing concern.

According to Baim, he had sold his company and she was ready to return to work after taking time away to start a family. She said they were looking for the right company to purchase when they heard, through a mutual friend, that Senator Boschwitz was interested in selling the Chicago stores.

Their staff is now lean. Both Baim and Lance do the buying, along with Bob Kirshner, formerly with First Distributors, a Chicago discounter.

Store personnel remain virtually unchanged, according to Baim. "We were most pleased with the quality of people," she said. "The staff turned out to be better than we'd expected."

Anticounterfeit bill

(Continued from page 3)
a chance to contest an application for an order, no standards are provided [in the bill] as to when such an order should be issued," retailers told the Senate committee.

Since "claims of trafficking in counterfeit marks are often made when a retailer who adheres to manufacturers' suggested retail prices complains to a name-brand manufacturer that another retailer is discounting the name-brand manufacturer's merchandise," these court orders have "the distinct potential for being used as a subterfuge to injure competition in the retail industry," they warned.

Moreover, attorneys for the retail industry argued, since Mathias' measure provides no penalties for suppliers who file unwarranted claims against chains, "the bill would encourage name-brand manufacturers to bring civil actions and to seek *ex parte* [no warning] search and seizure orders because they have everything to gain and nothing to lose."

Although Mathias kicked off the Senate hearings by citing "Justice Department" estimates that "the United States loses $16 billion every year through commercial counterfeiting," Justice Department witnesses later admitted that they could not substantiate that figure.

"While the department strongly opposes counterfeiting, we cannot determine from the information available to us the extent to which trademark counterfeiting occurs or whether existing remedies are insufficient to control it," Assistant Attorney General William Baxter acknowledged.

At least inadvertently, the Reagan Administration's chief antitruster also provided support for retail industry charges that the real purpose of the anticounterfeiting bill is to give brand-name manufacturers a simple method to engage in illegal resale price maintenance activities.

Baxter, who has publicly refused to enforce standing Supreme Court rulings that hold RPM to be an automatic violation of the Federal antitrust laws, told Congress that the "trademark counterfeiting problem" is a result of "the current hostile approach to resale price maintenance."

If manufacturers are allowed to dictate resale prices to retailers, he reasoned, they will be able to exercise the "degree of control over the distribution of their products necessary to enable them to detect and combat undesirable activity such as trademark counterfeiting."

Manufacturers could easily spot counterfeit goods if they stamped serial numbers or codes on their products, he said, but "many firms are reluctant to code goods in part because of fear of possible antitrust liability."

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DIY industry census, pp. 15-72

National Home Center News®

Vol. 8, No. 22 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. October 25, 1982
$7 per year $2 per copy

DIY strong in '82, despite slower expansion

Grace still leads industry in biz; Wickes holds on

NATIONAL REPORT—DIY sales among the nation's Top 100 home center operations will increase 11.7% in 1982, to a projected $8.926 billion collectively, despite a virtual halt in store expansion.

According to *National Home Center News'* eighth annual industry census, the Top 100 chains will have 4,184 units in operation at the end of the year—12 less than a year ago. The Top 25 operations will operate over half of those stores, or 2,536 outlets, only 13 more than in 1981.

DIY sales among the Top 25 chains, however, will total $6.7 billion this year, a 12.3% gain over last year.

The Top five home center chains in DIY sales remained the same as 1981's strongest performers. W R. Grace is again No. 1 with $864 million projected in DIY sales, followed by Evans Products, Lowe's, Payless Cashways and Wickes Cos.

In total volume, Lowe's led the pack with projected sales reaching the $1 billion mark for the first time. And, despite its problems this year, Wickes Cos., in Chapter XI since April, is expected to reach $900 million in total sales, which ranks it second in that category.

(Continued on page 7)

Top 10 Home Center Chains

	DIY Sales (in mil.)	Total Sales (in mil.)	DIY Sales % change from 1981
1. W. R. Grace	$864	$ 897	14.6
2. Evans Retail	678	770	6.7
3. Lowe's	560	1,000	21.2
4. Payless Cashways	551	580	21.1
5. Wickes	530	900	– 7.5
6. 84 Lumber	360	600	19.2
7. Sutherland	296	395	20.8
8. Ernst	244	244	6.1
9. Hechinger	240	240	13.7
10. Scotty's	237	308	17.6

NHCN chart

L-P to quit retail; Sutherland eyes buy

By Brad Altman
West Coast editor

PORTLAND, Ore.—Louisiana-Pacific will jettison its seven-unit California home center chain, and the likely purchaser is Kansas City-based Sutherland Lumber, sources told *NHCN*.

At presstime a definitive agreement between the two companies had not been signed and officials for both chains declined to confirm the pending sale of L-P Home Centers.

"A deal is probably 95% certain," reported Howard Foon, L-P Home Centers' director of retail sales. "The news is all over and to my knowledge it is very imminent."

If the deal goes through, Louisiana-Pacific's retreat from home center retailing will buck a trend of recent years among forest product companies. The DIY business has attracted such industry giants as Weyerhaeuser, Boise Cascade, Diamond International and Southwest Forest Industries.

But L-P Home Centers' days appear to be numbered, according to several sources. Foon noted that late October is the traditional inventory period for the chain, but this year he has been directed to postpone counting until December, "probably because of new ownership."

Other signs pointing to Louisiana-Pacific's departure from the DIY business include a mid-September public auction held to sell surplus office furniture, trucks and rolling stock. The auction reportedly grossed $340,000. In addition, the chain stopped ordering inventory three months ago at its 30,000-sq.-ft., Garden Grove, Calif., warehouse.

Nevertheless, Barry Lacter, a Louisiana-Pacific spokesman, declined to confirm that the chain is on the selling block and that Sutherland Lumber is the likely buyer. "Until there is something firm, we aren't going to make any announcement about L-P," he said.

He said three years ago Louisiana-Pacific paid Lone Star Industries $32 million for the chain—$10 million in fixed assets and $22 million in inventory. Louisiana-Pacific's chairman

(Continued on page 79)

Home center vendors scrambling for air time amid NFL strike

By Kenneth Schept
NHCN senior editor

NATIONAL REPORT—Repercussions from the National Football League strike are being felt in the home center industry as major suppliers face the Christmas selling season without traditionally critical television spots.

Retailers who had plugged into local radio broadcasts of NFL games have also been affected.

So far in both cases the advertisers have chosen to swap the lost commercial spots for increased airtime, in effect exchanging the prime period during football games for overall increased exposure, generally in somewhat less-choice time slots.

Among the major home center-related advertisers that bought space during NFL games are Kerosun, Black and Decker and Stanley. About 30 Boston retailers are involved with a radio co-op effort sponsored by Furman Lumber, the wholesaler.

The importance that manufacturers place on NFL broadcasts is typified by Black & Decker. The tool manufacturer had purchased a total of 14 spots in and around NFL games on all three networks this season, according to Louise Retzier, advertising and sales promotion manager for Black & Decker's household products group.

All the spots were for Workmate, the adjustable workbench, and accounted for 40% of that product's Christmas budget. More than 50% of all Workmate sales occur during this fall period, said Retzier.

"We will attempt to negotiate with the networks on a week-to-week basis to keep our exposure the same," she said.

Black & Decker's ads were scheduled to first appear on NBC, Sunday, Oct. 11. In exchange for one NFL 30 second spot, the Workbench commercials will appear twice during a Canadian Football League game and with a preworld series sports program.

"The network made a good offer that we accepted," said Retzier, noting that the new plan was equal to the NFL in Gross Rating Points, the advertising industries measurement of media effectiveness.

Restructuring of TV packages to obtain a GRP equivalent to the lost sports programming was also noted by

(Continued on page 79)

Million-a-month sales club shares right location, size, crack staff

By Greg Puchalski
NHCN senior editor

NATIONAL REPORT—Among the 4,184 units operated by the 100 largest home center companies this year, only a few, probably less than 25, will reach the rarified plateau of consistently producing more than $1 million per month.

Chains known to have one or more stores that operate with such cash machine efficiency include Somerville Lumber, Lumberjack, The Home Depot, Forest City and Rickel.

None of the chains are among the nation's Top 10 in DIY volume. Rickel, with sales of $220 million, is the largest. Somerville Lumber's Somerville, Mass., store is probably the greatest volume producing unit. Sales there regularly exceed $2 million per month.

Some of the success ingredients that $1 million-a-month stores share are location, size, maturity and a staff capable of handling the extreme volume.

"The ability to provide product and handle people is a key," said Jay Steiner, vice president, Lumberjack.

The Midas-like Somerville store has been in business since 1956 and at the same location since 1977. Co-owner Melvin Cohen attributes its success to the merchandise selection of 37,000 sku's and service, which includes more than 100 salesmen and free delivery within a 25-mile radius.

Earlier this year, when Somerville debuted its second

(Continued on page 80)

NEWSBREAKS

HINES COMPUTERIZING. The first of Edward Hines Lumber's 25 stores is expected to be tied into a perpetual inventory system this month. The system, which ties service desk and manager offices to the headquarter's main computer, will also collect daily information from the cash registers.

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DIY Industry update

84 Lumber quits Sacramento

SACRAMENTO, Calif.—Announcing "We Quit!" in a local newspaper advertisement, 84 Lumber hastily pulled out of the Sacramento market, closing four stores after a one-week, $1 million inventory liquidation sale.

With prices slashed 50% on vanities, caulk, nails, electricals, fasteners, tools and other merchandise, consumers jammed the stores located in the greater Sacramento area communities of Rancho Cordova, Citrus Heights, Woodland and Florin. All four 8,000-sq.-ft. stores were opened in 1975 as part of 84 Lumber's fast-paced expansion drive on the West Coast.

The 362-unit, 38-state chain has 29 stores remaining in California.

Officials for the Pennsylvania-based chain were not available for comment on the store closings at presstime.

An employee at the Florin store said the company "Stopped us from reordering new merchandise two months ago," adding that the Oct. 10 store closings—a week after a full-page "We Quit" ad ran in the *Sacramento Bee*—had been expected.

Scotty's ups biz with catalog

WINTER HAVEN, Fla.—Scotty's, the 98-store Florida chain, initiated a new mail-order service last March, a 9,000-item catalog mailed three times per year.

The first printing of 750,000 catalogs was distributed through Scotty's stores.

So far, the program has been all gravy for Scotty's since the chain has neither added personnel nor incurred other significant start-up expense, according to Rod Sweet, mail-order sales manager.

In fact, Sweet said he handles the whole show "in my spare time."

Scotty's product mix was not changed for the introduction of the mail-order business. The chain had a program in the 1950's and again in the 1960's. The advent of two-paycheck families and the search for shopping time savers, as well as the prospect of low overhead sales encouraged Scotty's to make another attempt at this market, according to Sweet. Scotty's is accepting Mastercard, Visa, money orders and checks for the UPS delivered merchandise.

"It's too early to see a dramatic impact," said Sweet, who noted that the spring catalog seemed to fare better than the summer book issued in July. He estimated mail order sales to date at $40,000 to $50,000. Best-selling products so far have been electrical accessories, plumbing products and ceiling fans.

Ace ads feature 'helping hands'

OAK BROOK, Ill.—Ace Hardware has launched a new price-oriented, national television advertising campaign entitled "Helping Hands."

The commercials, which first aired late last month, were produced by Fred A. Niles Communications in Chicago, and feature two actors who play the Ace Helpful Hardware Man and Woman. The Suzanne Somers commercials, which were scheduled to run through 1982, have been abandoned. Ace dealers had criticized their lack of price and product focus.

Ace's new ads will be carried by the three major television networks and ESPN cable. They will be aired with network morning news programs, evening news broadcasts and prime time entertainments.

The campaign kicked off with special promotions on two products. The Ames greensweeper lawn rake, a plastic rake with a 48-in. handle and 26 tines sells for $3.99 off from the regular price of $7.19. The 33-gal., 2-ply leaf and trash bags are 15 for $2.33.

The Ace jingle—"Ace is the place with the helpful hardware man," closes the TV spots, making one more point, as the new Helpful Hardware Woman character adds, ". . . and woman."

Frank Henry, vice president of merchandising and advertising, said, "Now we want to show the consumer the products, rather than highlight the spokesman."

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National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Retailers and wholesalers: $7 a year ($8 in Canada); Manufacturers, schools, libraries and all others: $14 a year ($15 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 8, No. 22. Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10016. For change of address six weeks notice to Subscription Department, 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 8, No. 22 October 25, 1982

Sigoloff grabs the spotlight in new Builders Emporium ads

SANTA MONICA, Calif.—Would you buy a chain saw from Sanford C. Sigoloff?

That's saw; not chain. While the Wickes chief executive says he has no plans to sell Builders Emporium, Sigoloff does want to sell BE's merchandise.

So, this fall and winter millions of Californians will see the 52-year-old Sigoloff on their television sets pitching BE's home improvement products.

Sigoloff said he agreed to tape the three, 30-second commercials, "to convey the sincerity of management" in returning the retailer to prosperity.

Some people may think he did the commercials for self-aggrandizement, Sigoloff admitted.

"Everytime you do something different, it's a risk," he said. "Of course there will always be comparisons [to Chrysler's Lee Iacocca and other corporate executive pitchmen]. . . . All of us hawking our wares in gray flannel suits."

Wickes as a matter of policy does not reveal its advertising budgets or frequency of TV commercials, and is not obligated to do so even though it is operating under Chapter XI of the Federal Bankruptcy Code.

A company spokesman said Sigoloff, who took over ailing Wickes last March, decided to appear in the commercials after an independent marketing research company determined that such a format would produce "a very strong campaign."

One commercial shows Sigoloff walking down an aisle of a BE store. His tie has been loosened and his shirt sleeves rolled up. The impression being created is that he is an executive "grabbing some things for the weekend" after a long day at the office, Sigoloff explained. But in the final seconds, Sigoloff is standing at the checkout counter, staring into the camera lense and proclaiming seriously, "As chairman of the board, I insist that all customers get what they want."

The other commericals also show Sigoloff in a BE. One is scheduled to air during the winter holidays.

Sigoloff's colleagues say he is a polished TV performer. He admits that his recent appearance on the syndicated Phil Donohue show "didn't challenge me." The commercial filming was considerably more difficult, however.

(Continued on page 79)

Repair market largest for struc. panel

BILOXI, Miss.—The structural panel industry is looking toward nonhousing markets, including exports, for its greatest growth opportunities during the 1980's, according to presentations at the annual American Plywood Assn. meeting here, last month.

This year and last the greatest single user of structural panel was the repair and remodeling market. Of the total 16.2 billion sq. ft. of panel produced in 1982, 5.3 billion sq. ft. are expected to be used by that market compared with 5 billion sq. ft. in housing construction. In 1981 repair and remodeling for the first time consumed more than home building.

For 1983, however, the Association is expecting housing to again assume its place as the largest consuming market for structural panel, using 6.3 billion sq. ft. compared to 5.4 billion sq. ft. in repair and remodeling. That prediction is based on a 1.3 million housing start year.

The use of structural panel in repair and remodeling dipped slightly this year from 1981. Bob Anderson, director of market research and economic services for the APA, said the slight downward fluctuation was probably due to the high interest rates.

While some panel production used in repair and remodeling goes into construction of dog houses and other small items, the bulk, said Anderson, goes into major projects like room additions. Such panel use was inhibited by the need for financing.

Bruce Fulton, retiring APA chairman, told the approximately 200 members at the APA meeting that significant increase in home building is not expected until the second quarter of 1983, when mortgage rates may have sunk to the 12% to 14% range. He said the APA predicts 1.5 housing starts by 1984, with about 1.6 starts in each of the three following years.

K mart tests next stage of 'home center concept'

ROCHESTER, Mich.—K mart may be readying another new look for its home improvement departments.

After adopting a home center strategy, tested in Indianapolis two years ago (*NHCN*, Nov. 24, 1980), in more than 450 departments and in its newest stores that have DIY departments, the discount giant apparently is testing the next generation of their home center concept at its unit here, not far from its Troy, Mich., headquarters.

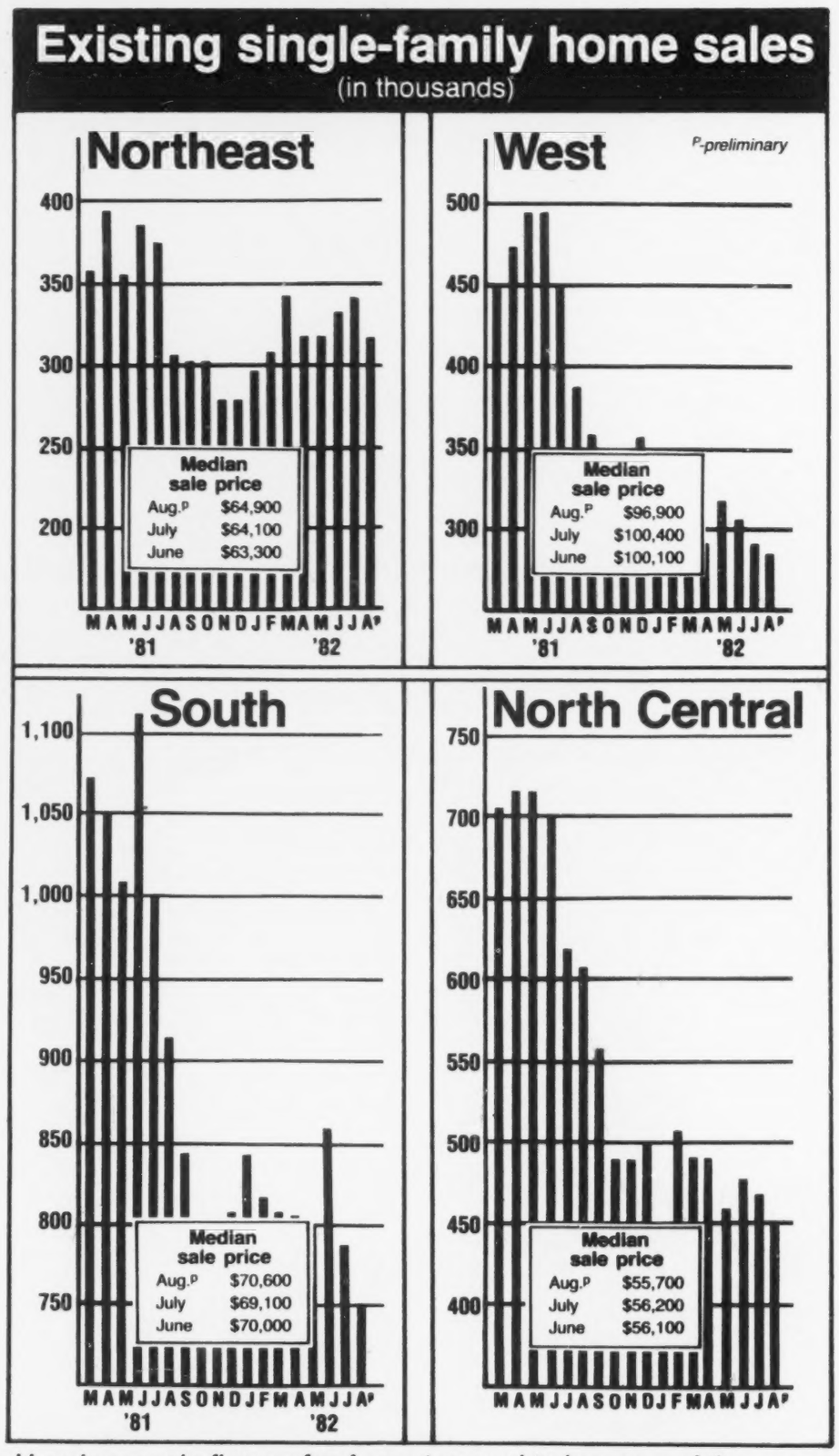
K mart officials are reportedly not satisfied with the home center concept it has adopted in the last two years that brought more product and better adjacencies to the department.

A K mart spokesman said chain officials view "the test as just that and are not ready to talk about it."

The category here features more informative signs and aids to help customers identify goods and tackle projects. It also includes better displays such as vignettes for kitchen and bath merchandise.

The trend may be toward bigger tickets in the 10,000-sq.-ft. department with the addition of the vignettes.

The department and each category within it are made to stand out more clearly. Two large, 12-ft. fixtures are placed near the entrance of the department to set it apart from other K mart departments. Sharper, more informative displays help distinguish each product category.



Housing resale figures for August proved to be more of the same, only worse, with a total of 1.8 million units, seasonally adjusted, changing hands, a 6.3% drop from July and the lowest level yet in the current housing cycle, according to the National Assn. of Realtors. In the 46 months between November 1978, the beginning of the cycle, and August, sales of existing homes were off 55.5% and 4.5 million sales or $328.9 billion has been lost, according to the Association.

For Tuckerton, sales are never out of season

By John Caulfield
NHCN associate editor

SURF CITY, N.J.—The summer's over and the beaches are empty. For many small businesses that cater to the over-100,000 vacationers who flock to this and other towns on the 12.5-mile stretch of Long Beach Island off the Jersey Coast, their selling season ended on Labor Day.

But among the miniature golf courses, fast-food stands and video game arcades stands Tuckerton Lumber, an 8,500-sq.-ft. home center located on 2.5 acres of land one block off the beach, whose season is just beginning.

Tuckerton Lumber, which is celebrating its 50th anniversary was started by Fred Bunnell Sr. in 1932 as a small hardware store in the mainland town of Tuckerton. It has grown, under his son Fred Jr., into a two-unit home center operation that is expected to do about $4 million in sales this year.

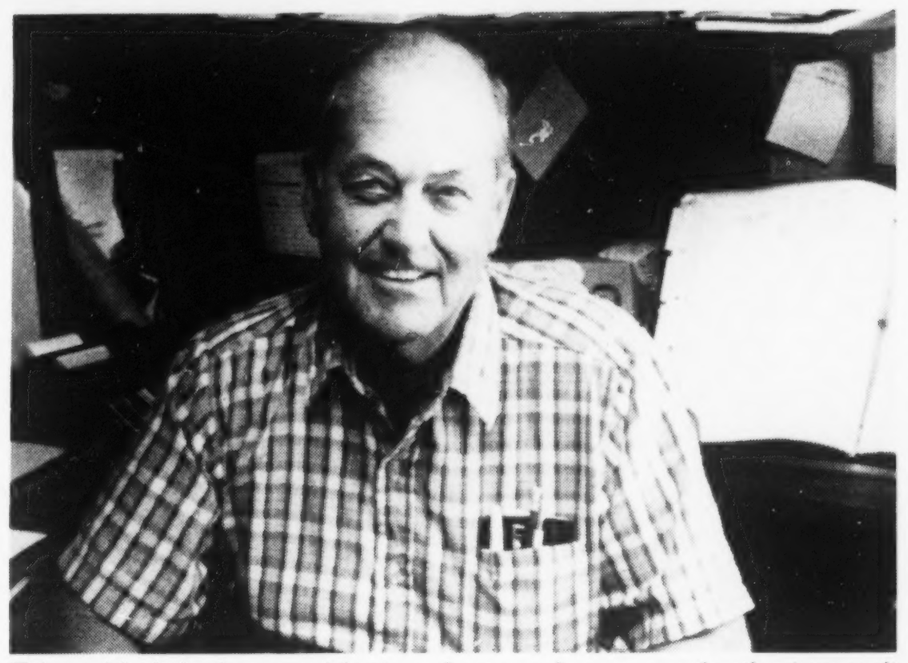
The customer base for the Surf City store, located on the northbound side of the main drag, consists mainly of the 10,000 permanent residents of Long Beach Island and those people who own, but do not live in, the single- and multifamily cottages and duplexes that line both sides of the boulevard and are rented out seasonally.

"The vacation crowd [called shoobies by the natives] is really icing on the cake for us, but we're not dependent on them for business," said Edward Laird, a 50-year lumber business veteran who joined Tuckerton Lumber in 1964 and now serves as its vice president and general manager.

Laird said the customers who live on the island year-round have shown an increased adeptness at handling difficult DIY jobs, such as building a deck or roofing a house, and he added that the store sells a lot of plumbing, electrical supplies and treated lumber. "But the owners who rent their homes during the summer are generally upper-middle class people in the second home market who view coming down here in the spring and fall to fix up their property as a hobby.

"It's these people who need the most help, because they just don't know where to start a lot of the time," Laird continued. Each unit maintains about 15 workers year-round, and has knowledgeable countermen to assist the dilettante DIYer. "Our guys have helped our customers build more shower stalls than you can shake a stick at."

Laird noted that, in the past, his stores' winter business was extremely slow. "You could fire a gun down the boulevard and not hit anybody, but now the shore is a cold weather retreat for a lot of folks." He added that both stores, and particularly the mainland outlet, have indirectly benefited from the enormous development in and around Atlantic City following passage of the 1977 referendum legalizing gambling.



Edward Laird, vice president and general manager for the two-unit Tuckerton Lumber, Surf City, N.J., is a veteran of 50 years in the lumber business. NHCN photos

An impressive collection of barometers, clocks and other weather devices graces the wall leading up to the second floor of Tuckerton Lumber.

While the company, whose nonlumber products are supplied by the American Hardware Supply wholesale co-op, has been trying to give its stores more of a home center look over the past four years, its main business is still on the contractor side, which will account for 60% of its sales this year.

The stores each carry about $400,000 worth of lumber, but are faced with a problem most home centers don't have to deal with : the nearest rail siding is 35 miles away in Camden, N.J., so all its lumber must be trucked to the sites. That adds "10%-25% extra" to the retail price, according to lumber buyer John "Bud" Bigum. "Plus, our limitations in size, especially at Surf City, restrict us from buying in truckload quantities," he said.

Despite high interest rates and the exorbitant rise in housing costs (homes on Long Beach Island regularly go for $150,000-$200,000), housing starts have been fairly steady over the past couple of years.

As a result, Tuckerton's contractor sales have, until recently, been on the upswing. Data from the New Jersey Bureau of Construction Code and Enforcement reveal that, in the six municipalities that make up the island, single-family housing starts only dropped slightly, from 251 to 234 units, between 1979 and 1981.

However, Bigum indicated that contractor activity has been off considerably this year. "Every year we ask ourselves if there's anymore room on the island for home development, but only this year have we taken the question seriously." In addition, there is some minor trepidation among contractors to start building for fear that state restrictions on construction in the nearby Pine Barrens preserve will be extended to include some coastal areas.

Laird conceded that, unless September and October were strong sales months, Tuckerton Lumber could have a decline in volume as much as 23%. So the company is trying to jack up its DIY business to augment its temporarily faltering contractor sales.

However, in a transient community, one of the problems a company must face is how to most effectively advertise and promote the products and the store's name. "This has been a real headache for us, and it's very difficult to get good advertising down here because the local paper [*The Beach Haven Times-Beacon*] does not have a lot of circulation. We've had much better response by placing ads in the free papers, like the *Sandpiper*, that real estate agencies and local stores distribute."

Tuckerton is also tied into the direct mail and radio "Servistar" program of American Hardware, and occasionally utilizes the local paper to direct promotions to island home owners. It will spend about $20,000 in advertising this year.

Competition, particularly from mainland lumberyards, has picked up in recent years, and Laird said the company is contemplating expanding its Tuckerton unit, which is a 4,000-sq.-ft. building on six acres of land. But in the hard lines category, the stores are virtually competitor-less, with the exception of an occasional K mart.

"But we have a real edge because we have strong service, offer a lot more home improvement-type products and, because we're family-run, we can react quicker to our customers' need. We have a very loyal clientele, I think, because we're unique in the market," Laird said.

And who could dispute him. How many home centers stocking 15,000 sku's are stocking nautical clocks and barometers?

DIY sales

(Continued from page 1)

DIY sales this year are expected to account for 75.9% of total sales among the Top 100 chains this year and 79.4% among the Top 25 chains.

Not surprisingly, in a year when housing starts are expected to just barely pass one million, total sales expanded much more slowly than the DIY portion.

Among the Top 100 chains, total sales will reach $11.7 billion in 1982, which is 6.2% ahead of last year when annual sales grew by 13%. For the 25 largest chains, total sales will reach $8.4 billion, a 7.7% growth from 1981, which was 19.3% above 1980 figures.

Altogether, there are approximately 14,970 full-line home center outlets operating in the United States with minimum annual sales of $1 million per unit, according to the 1982 Chain Store Guide of Home Center Chains; in addition, there are another estimated 12,000 stores selling home improvement products generating under $1 million in annual sales including DIY departments in mass merchandise stores. *NHCN* estimates that the DIY market currently accounts for $30 billion in home improvement product sales.

While the growth rate for total sales softened this year, it was offset by the fact that inflation has cooled considerably, yielding a sizable gain in real income. The Consumer Price Index rose 5.1% in the first eight months of the year compared with 12.4% for all of 1980.

Also, with inflation slowed and interest rates on the way down, expansion programs among the larger chains may once again heat up. Lowe's, which this year will open only six new units, plans to increase its store count by 6% to 250 by the end of 1983.

Payless Cashways expects to increase its total square footage by 15% or about 15 stores next year. It was one of the few chains with a strong expansion program in 1982, adding 14 units, while other industry giants like Evans, Wickes Lumber, Ernst, Pergament, Boise Cascade and Southwest Forest Industry closed more stores than they opened.

Payless was one of the year's top performers with a DIY volume of $551 million and total sales of $580 million, a 21% increase over 1981 results. Payless appears to be on the threshold of surpassing Lowe's as the nation's third largest home improvement chain.

Also, Atlanta's The Home Depot catapulted to 22nd in DIY volume from 39th last year. The 10-unit chain, which began with four units three years ago, experienced sales growth of about 100% this year, bringing its total volume to $100 million.

Other newcomers among the Top 25 chains are Lanoga, Seattle and Southwest Forest Industries, Phoenix.

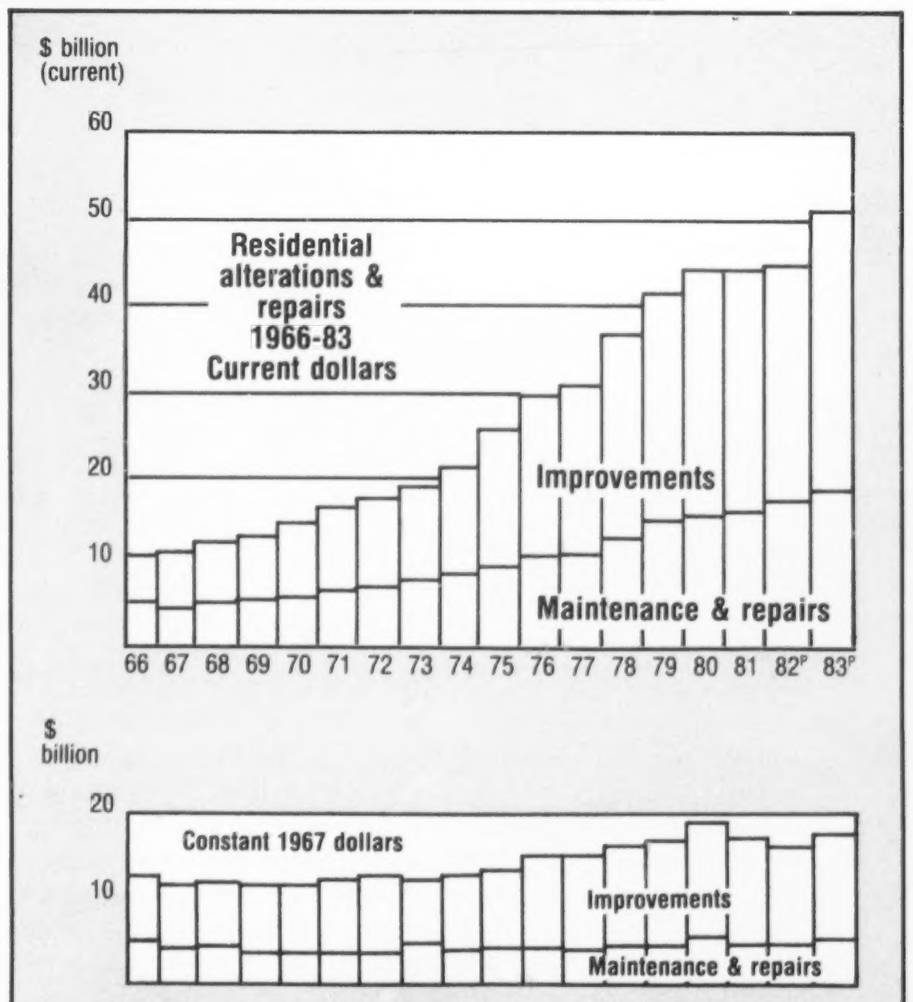
Of the Top 100 chains, 17 will see a drop in total volume and 22 will remain even. Operations that rely heavily on contractor business generally showed the poorest sales performance.

Among the chains that will have a drop in total sales this year are Edward Hines Lumber, Erb Lumber, Lampert Lumber and Diamond International.

Top 100 home center chains

	DIY Sales (in mil.)	DIY Sales (% change)	Total Sales (in mil.)	Total Sales (% change)	% DIY	Store Count
1982	8,926	+11.7	11,751	+ 6.2	75.95	4,184
1981	7,984	+15.7	11,067	+13.9	72.10	4,196
1980	6,903	+11.9	9,709	+11.0	71.70	4,017

NHCN chart



Residential alteration and repair expenditures are expected to total $46.575 billion in 1982, up slightly from $46.351 billion in 1981, then surge sharply in 1983 to $53.5 billion, based on forecasts of Smith Barney vice president, Barbara Alexander.

In real, 1967 dollars, however, the value of residential alterations and repairs will decline in 1982, to $16.01 billion compared to $17.02 billion in 1981 and the record high of $18.76 billion set the year before. Real sales are projected to rebound to an estimated $17.45 billion in 1983.

Source: U.S. Dept. of Commerce, Bureau of the Census, Report C-50; Constant dollar series: I. Michael Kadish Inc.; Smith Barney, Harris Upham & Co. NHCN Chart

EDITORIAL

Home center firms near top in Earning Power

This year's *National Home Center News* census of the Top 100 home center operations offers an intriguing portrait of an industry.

Kash

Not surprisingly, chains geared 100% toward consumer traffic outperformed those still anchoring part of their business to the builder.

While 61 of the Top 100 home center operations are expected to post gains in total sales in 1982 over last year, 74 chains will show gains in DIY sales.

In fact, 76% of the Top 100 chains' collective sales of $11.75 billion will come from consumer trade this year.

But perhaps more significantly, the 1982 portrait reveals an industry that has taken a long stride toward maturity.

At year-end, the Top 100 chains will post an 11.7% increase in DIY sales, with 12 fewer stores collectively than the 4,196 they operated last year.

The strategy to retrench expansion plans in 1982, in favor of improving store-level productivity, has paid off handsomely for a number of chains, particularly when one considers how much less a factor inflation was in contributing to this year's growth.

Certainly, it has not been an easy year. Aside from Wickes, 1982 may be remembered as the year when even the staunchest home center leaders, such as Hechinger chairman Dick England, conceded the DIY market was not as recession-proof as some have claimed. Nonetheless, when comparing this year's performance to last year, it appears that the front-running home center chains emerging in 1983 will be stronger, smarter, and more aggressive than ever before.

How the home center industry stacked up specifically against other retailing industries in performance lends even more encouragement.

While few measures exist to truly compare industries, one that has gained a loyal following is a statistical review of public retailing companies prepared annually by The First National Bank of Chicago.

One specific measure First Chicago uses is called Earning Power. It is calculated by multiplying margin—pretax operating income divided by owned sales—by turnover, defined as owned sales divided by total assets. Owned sales are considered net sales minus leased department sales.

Of 104 public retailing companies, Payless Cashways ranked third, Scotty's eighth and Pay 'N Pak ninth in combining margin and turnover; and, of eight retailing classifications, home centers posted the second-highest earnings power figure, on average, in the lot.

Careful analysis shows that Payless, for example, boosted both margin (8.8%) and turnover (2.26%) this past fiscal year compared to last.

Lowe's on the other hand, has seen its margin cut almost in half over the past three years, to 4.18%, but has managed to maintain a higher turn ratio (2.51x) than Payless. Hechinger, meanwhile, gets its earning power by averaging a 7.6% margin, despite a 1.4x turn ratio—below the 1.88x average for the eight public home center chains included in the First Chicago report.

While public companies are few indeed in the home center industry, it is difficult to ignore the fact that when stacked up against other retailers, those home center firms are capable of earning as much profit for their merchandise as any retailer in the United States. It's a point worth keeping in mind when pursuing this year's Top 100 home center businesses.

—Wyatt Kash

Earning Power = (Margin X Turnover)*

1982 Rank		Fiscal Year Ended 1982	1981	1980
1	Pic 'n' Save	**33.89**	32.53	28.02
2	Lerner Stores	**20.15**	12.03	24.87
3	**Payless Cashways**	**19.92**	**18.06**	**19.88**
4	Longs Drugs	**19.31**	19.96	21.71
5	Dollar General	**18.13**	18.18	16.23
6	Hook Drug	**16.48**	17.22	16.49
7	Rite Aid	**16.14**	16.83	16.43
8	**Scotty's**	**15.70**	**18.95**	**19.99**
9	**Pay 'N Pak**	**15.17**	**14.33**	**15.26**
10	Wal-Mart	**14.96**	17.36	16.98
N.R.	**The Home Depot**	**13.46**	N.A.	N.A.
33	**Hechinger**	**10.62**	**11.41**	**13.52**
35	**Lowe's**	**10.50**	**18.09**	**22.93**
INDUSTRY AVERAGES				
Specialty (14 Chains)		**13.04**	14.72	14.97
Home Improvement (8 Chains)		**12.32**	**15.03**	**19.59**
Drug (16 Chains)		**11.66**	12.82	12.38
Department (23 Chains)		**9.88**	10.59	11.54
Catalog Showrooms (8 Chains)		**9.27**	10.41	11.56
Chain Stores (i.e. Sears—7 Chains)		**8.89**	6.90	8.62
Combination (9 Chains)		**8.49**	9.23	9.43
Discount (19 Chains)		**6.85**	7.99	9.42

**Margin = Operating income/Net sales minus leased dept. sales*
Turnover = Net sales minus leased dept. sales/Total assets
N.R.—Not ranked; NHCN calculation N.A.—Not available
Source: "The Retailing Industry"—The First National Bank of Chicago; Inside Retailing NHCN chart

WASHINGTON VIEW

May seek to legalize RPM as last resort

By Ken Rankin
Washington correspondent

Reagan Administration antitrust officials may ask Congress for new Federal legislation legalizing resale price fixing by manufacturers—but only as a last resort, Assistant Attorney General William Baxter told the American Retail Federation.

Rankin

The Justice Department's primary strategy will be to pressure the courts to reverse course 180° and rule that fair trade-style resale price maintenance activities against retailers are no longer automatic violations of the Federal antitrust law, he told ARF.

Only if the Supreme Court "is disinclined to modify its traditional approach in this area" will the Justice Department consider "seeking legislative change" by Congress, he said.

The broad-based retail federation—which represents scores of state and national retail industry trade associations—had urged the White House to direct Baxter to continue enforcing the current law until or unless it is changed by Congress.

Baxter's rambling, 15-page response to that request, however, indicates that he has no intention of being muzzled.

"I start with the obvious proposition that if, in a given industry there were dozens of manufacturers of a particular product and scores of potential distributors of that product, the freedom of any one manufacturer to enter into a resale price maintenance agreement with this subset of distributors could not possibly be harmful or anticompetitive in any way," he told ARF.

Although supplier restrictions on retail pricing "eliminate a kind of activity that might naively be described as competition," it is "economically erroneous to regard all behavior that achieves short-run price reductions as being competitive," Baxter maintained. "From that standpoint, the activity of a patent infringer, or a pirate of copyrighted phonograph records, or indeed sales of stolen goods in a flea market will achieve short-run price reductions."

Significantly, Baxter did acknowledge that RPM is clearly illegal and that the Supreme Court has, "in a wide variety of contexts over three quarters of a century, struck the practice down."

But he added that under most circumstances resale price fixing is "manifestly harmless," and therefore the Justice Department will not enforce those laws.

* * *

There's no evidence that the Federal Trade Commission abandoned its controversial rule on cellular plastic construction products because of pressure from Congress, General Accounting Office investigators concluded.

That rule, which had been under development by the commission since mid-1974, would have required the disclosure of the combustion characteristics of all cellular plastics used in home construction.

In June 1980, the FTC abruptly reversed course and terminated further consideration of the plan—a decision that was announced only a month after Congress granted itself power to override agency regulations affecting industry.

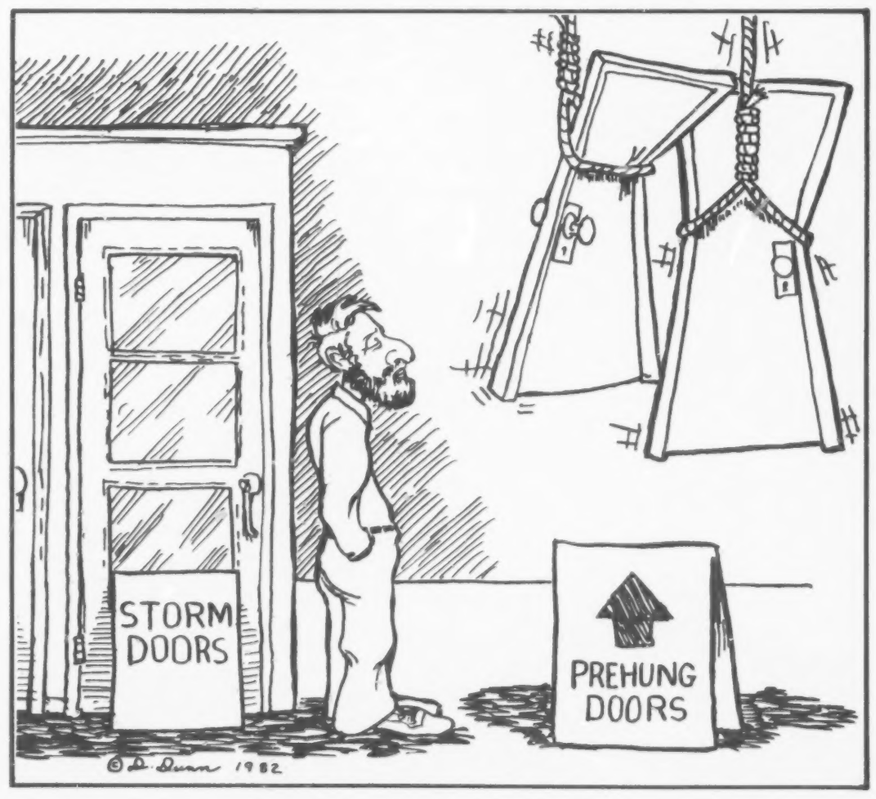
According to some FTC critics, the commission abandoned the cellular plastics rule for fear that industry manufacturers might be able to generate enough backing in Congress to veto the regulation.

But no such thing happened, G.A.O. investigators said. FTC scrapped the plastic disclosure rule not because the agency was intimidated by the industry, but because the commission "was already enforcing safety-risk disclosure requirements for insulation products" and concluded that separate disclosures for cellular plastics would not be necessary, G.A.O. maintained.

* * *

Look for a flurry of proposed new Federal regulations affecting home center chains and other retailers as soon as next month's elections are out of the way.

Labor Department wage-hour regulators, for example, have several controversial regulatory proposals on the backburner now—including Secretary Donovan's scheme to increase penalties for Federal minimum wage violations. They have been on the shelf for months because of political considerations, but after the Congressional elections are over they will come bubbling to the surface.



National Home Center News

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Published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
212-371-9400
Cable Address: LEBHAFRIED

Publisher of National Home Center News, Discount Store News, Nation's Restaurant News, Drug Store News, Chain Store Age Executive (with Shopping Center Age), Chain Store Age General Merchandise Edition, Chain Store Age Supermarkets. Affiliates: Business Guides Inc. (Directories); Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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CENSUS 82

HOME CENTER INDUSTRY PROFILE

Grace tops industry with $844M in DIY sales

NEW YORK—W. R. Grace, with six home center chains operating nationwide, again heads the industry in home improvement sales to consumers with DIY volume of $844 million projected for 1982 and an estimated total volume of $897 million.

Several steps were taken this year to further organize the 280-store division into a more smoothly operating component of its $6.5 billion (sales) parent, which began acquiring diverse home center chains in 1976.

Grossman's, with 199 stores, remains the largest chain of the Evans Products retail division. The future of Grossman's and its four sister operations is cloudy, since Evans announced its intention to sell off its home centers as a group, as soon as possible, to raise cash to meet its debt. NHCN photo

Specifically the four Western and Midwestern chains were organized into two regions; Green/Harris, a nine-store Southern contractor chain that never quite fit the Grace DIY mold was divested and the Handy Dan prototype continued to place its stamp on the other chains, particularly with the establishment of installed sales programs. Ironically, 1982 was also the year that Channel, the Northeast chain, passed Handy Dan in sales, to lead the home center division.

One of the year's potential bright spots was Handy City, the 53-store Southeast chain that ended 1981 with the resignation, under fire, of its president and top two financial officers. That disruption was but one of a series of management shakeups that plagued the Atlanta-based operation.

By mid-1982, with new leadership, tightened controls and some merchandising shifts profitability seemed just around the corner, an achievement, since 1981 ended with a loss estimated between $5 million and $6 million.

Handy City is also introducing a new prototype in Orlando to be more competitive when one of its main competitors, The Home Depot, enters that market late in 1982 or early 1983.

The changes in that merchandising approach, which calls for somewhat higher gondolas and more product on the sales floor, could have an impact on the rest of the Grace home center operation.

W. R. GRACE

	1982 (proj.)	1981
Units	270	264
DIY sales	$844 mil.	$754 mil.
Total sales	$897 mil.	$794 mil.
% DIY	95	95

Source: NHCN

"We had a meeting six or eight months ago that had nothing to do with Home Depot," Frank Denny, Grace home center division president, said earlier this year (*NHCN*, Sept. 13). "It addressed the second generation of this business. Then the Orlando situation came up. And that's where we're going to start."

Operationally, the biggest change for Grace this year was the reorganization of 28 Angels stores and 12 Cashway units into a Western region headed by John Markley and the consolidation of 76 Handy Dans in the Midwest and Southwest into one central region based in San Antonio with Dave Saks, president.

Nick Einfeld who had run the disbanded Kansas City-based Handy Dan Midwest operation, resigned from the company. The division into regions was prompted by the desire to take advantage of scale, Denny said

(Continued on page 59)

Evans Retail on the block to bail out parent

PORTLAND, Ore.—The fate of Evans Retail, the second largest home center operator in the industry, was still a matter of speculation at presstime, following the decision by its parent company, Evans Products, to sell the entire operation.

EVANS PRODUCTS

	1982 (proj.)	1981
Units	341	348
DIY sales	$678 mil.	$635 mil.
Total sales	$770 mil.	$756 mil.
% DIY	88	84

Includes Grossman's, Alamo, Moore's, Lindsley, and Hubbard & Johnson
Source: NHCN

Altogether, Evans Retail operates 341 Grossman's, Moore's, Lindsley, Hubbard & Johnson, and Alamo home centers and Inside Outlet specialty stores located in 20 states. Should the group remain intact, year-end sales are expected to total $770 million; sales to DIYers exclusively are expected to total $678 million, compared to $635 million in 1981.

Ironically, the home center group was placed on the block because of its health, relative to the rest of Evans holdings, which include shelter products, forest products, custom-built homes.

The retail group accounted for almost 50% of the conglomerate's total sales and had an asset value of $285 million at the end of 1981.

Its sale was prompted by the heavily leveraged position of the parent company, whose debt burden now totals $475 million in long- and short-term debt, two-thirds tied to the prime rate.

Retail group sales for the six months ending June 30 were $365.1 million, up slightly from $361.1 million a year earlier.

Operating income, however, was down 27% to $16.05 million from $22.09 million.

Evans Products reported a net loss, companywide, of $12.35 million for the first half.

The retail group shrunk slightly in 1982 in number of

(Continued on page 29)

Channel Home Centers, the 94-store, New Jersey-based chain this year became the greatest volume producer for W. R. Grace. This came after Texas' Handy Dan diminished in store count following the reorganization of Grace's Western and Midwestern home centers into two regions. NHCN photo

Lowe's total sales to hit $1B with 56% in DIY biz

NORTH WILKESBORO, N.C.—DIY sales at Lowe's are expected to account for 56% of total volume this year, which chain officials are now expecting to reach, and possibly pass, the $1 billion mark for the first time.

In addition, plans for a larger, 20,000-sq.-ft. RSVP prototype are now on the drawing board, as the 233-unit chain continues to respond to the depressed home building market by aggressively pursuing retail sales.

For the 26 weeks ended July 31, retail sales were up 19%, while builder volume was off 11%. Total sales for that period were $506.3 million, up 4% from a year ago.

Pretax earnings for the first half of 1982 were up 19% for a total of $11.7 million compared with $9.8 million in 1981.

The increased retail volume has contributed to improved gross margins, 24.9% at the end of the first half, compared with 23.8% a year ago.

Lowe's this year began altering its consumer showroom RSVP design in some of its new stores. The Buckley, W. Va., outlet, currently under construction, will include a second 750-sq.-ft. cove in front of the store, creating what has been described as an inverted T-shirt floor configuration, where before there was "only one sleeve," according to chairman Robert Strickland.

The added space will take up home electronics stock, leaving 60 ft. along the side wall available for lumber merchandising. Construction was expected to be completed by Thanksgiving.

Altogether, 95 of 117 stores slated to undergo the $100,000 per store RSVP remodeling design have been retrofitted since the remodeling program began two years ago.

LOWE'S

	1982 (proj.)	1981
Units	235	229
DIY sales	$560 mil.	$462 mil.
Total sales	$1 bil.	$888 mil.
% DIY	56	52

Source: NHCN

Payless Cashways' rapid growth to yield $600M in total sales

KANSAS CITY, Mo.—Payless Cashways, one of the fastest-growing retailing companies in the United States, will climb toward $600 million in sales in 1982, 95% coming from DIY volume in its 100 units.

The chain's president and ceo, David Stanley, projected that sales by the end of fiscal 1982 would total $580 million, $551 million being generated by sales to home-improvement minded consumers. If the company maintains its traditional 22%-25% growth in annual earnings, profits at the chain should reach $20 million.

Throughout the year, Payless has engaged in a 12-unit, $31 million expansion program that will place new stores in four states, with five in new markets for the chain. According to a study compiled by Kidder, Peabody & Co. security analysts Robert Simonsen and Daniel Barry, the chain's growth in selling space between 1976 and 1980 increased 18% annually, and is estimated to expand another 13% annually from 1981-86, with a parallel growth in earnings per year of 25%, making Payless one of the top six "high growth" retailers.

PAYLESS CASHWAYS

	1982 (proj.)	1981
Units	100	86
DIY sales	$551 mil.	$455 mil.
Total sales	$580 mil.	$479 mil.
% DIY	95	95

Source: NHCN

On top of its planned expansion, Payless recently bought the flagship and newest stores of the Brookhart Building Centers chain, Colorado Springs, as well as the Nora, Ind., Dunlap's unit from Southwest Forest Industries, Phoenix. The latter purchase strengthened the chain's position in Indianapolis.

Because of its accelerated growth, Payless, at the urging of chairman Stanley Covey, added another layer of management to its corporate ranks. Larry Morrissey and Roger Weverka were appointed to the

(Continued on page 39)

CENSUS 82 FACTS AND FIGURES

Shakeup at Wickes promises leaner operation

SANTA MONICA, Calif.—The shockwaves from retailing's biggest bankruptcy have subsided somewhat since the sudden collapse of Wickes in April. But the Chapter 11 reorganization program now in effect continues to rock the company internally.

In many ways, the company's new direction remains as masked as its assets from the protection available under Chapter 11.

Clearly, however, the Wickes Companies emerging from 1982 will be much leaner than ones operating in 1981.

Suffering from the aftereffects of ingesting Gamble-Skogmo whole in 1980, the corporation had massive losses of $258.3 million last year, had accumulated $1.98 billion in debt ($340 million owed to over 15,000 trade creditors) and was forced to file Chapter 11 on April 24.

Wickes' board of directors had fired virtually all the company's top management one month earlier, including chairman E. L. McNeely and president David Primuth. They were replaced by Sanford Sigoloff, former vice chairman of home builder Kaufman & Broad, who successfully reorganized Daylin when it filed for bankruptcy in the mid-1970's.

Sigoloff brought in a handpicked entourage of corporate executives to assist him in getting the $3.84 billion Wickes back on its feet again. And, after meeting twice with creditors and their four committees, the company released its 10K filing with the Securities and Exchange Commission, in which the closing of about 60 Wickes Lumber units by the end of 1982 was announced, although only a dozen have been shuttered through September. The company also noted it would be making "selective store closures" in its apparel, department store, furniture, supermarket, drug and jewelry chains, but indicated that the 62-unit Builders Emporium home center chain would remain unscathed. In fact, Wickes' management approved a six-month plan to remodel or upgrade 55 of BE's units.

The severity of Wickes' financial difficulties was also in evidence in the 10K. One of its largest divisions—the lumber and building materials segment which includes Wickes Lumber, BE, Gambles, its wood products division, Sequoia Supply and its international branch—had sales of $1.45 billion and earnings of $6.7 million, a remarkable drop from the $36.6 million the segment netted in 1980.

Figures analyzed

In the first half of 1982, the company lost $156.97 million against sales of $1.393 billion. However, the first quarter's $156.4 million loss was due primarily to Wickes' amortizing $52 million in debt and paying $49.7 million in interest expenses. And the second-quarter loss was only $566,000.

In its home centers, 1983 will see a leaner Wickes Lumber and a better merchandised Builders Emporium. *NHCN* estimates that, by year's end, Wickes Lumber will have revenues of $740 million, a 17% decline, with its DIY sales at around $370 million generated from 225 units. It remains, however, the fifth largest home

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Despite its efforts to divest a substantial part of its retail holdings, it looks like Wickes Cos. will be holding onto the 62-unit, $160 million Builders Emporium, San Diego, Calif. The parent company recently approved a six-month plan to upgrade or remodel 55 BE units.

NHCN photo

Sutherland to post $296M in DIY sales

KANSAS CITY, Mo.—Sutherland Lumber, the second-largest family-owned home center chain in the industry, after 84 Lumber, is expected to post $296 million in sales to DIYers by the end of 1982, and total sales of $395 million, according to *NHCN* estimates based on company-verified figures.

The rise in DIY sales, from an estimated $263 million in 1981, is due in large part to the chain's dramatic increase in consumer advertising over the past two years. The chain ranked sixth in the industry in television advertising expenditures last year, spending $664,900—up 125% from 1980—and plans to nearly triple that figure before 1982 is out.

While company officials would not reveal exact figures, it is estimated that cash-and-carry sales accounted for 70% of sales in 1981 and will account for about 75% in 1982.

Sutherland currently has 75 stores concentrated in the Midwest but ranging across 21 states. Its newest outlet opened in Fort Worth in August. The Fort Worth operation includes a new building (30,000 sq. ft.) on a five-acre site owned by Sutherland. The Houston store is also a newly built structure with 30,000 sq. ft.

Dwight Sutherland, a partner, said the new stores would basically follow Sutherland's format. While no specific opening dates have been announced, Sutherland added that "There's some on the drawing board. We

(Continued on page 57)

SUTHERLAND LUMBER

	1982 (proj.)	1981
Units	75	74
DIY sales	$296 mil.	$263 mil.
Total sales	$395 mil.	$350 mil.
% DIY	75	70

Source: NHCN

How the top 100 line up

Companies	DIY Rank
Alamo Enterprises	2, (45)
Alamo Lumber	97
Alexander Lumber	88
All American Home Center	63
American Maize Products	34
Anderson Lumber	74
Angels	1, (23)
Bailey Lumber	89
Boise Cascade	18
Bonanza Building Centers	84
Braver Lumber	67
Brewster's	64
Brown's Lumber	87
Budget Power	81
Builderama	90
Builders Emporium	5, (16)
Busy Beaver	29
Carter Lumber	39
Cashway Home Improvement Centers	1, (28)
Causeway Lumber/Red Thumb Home Centers	84
Central Hardware	15
Channel Home Centers	1, (7)
Chase-Pitkin	54
Church's Lumber Yards	61
City Mill	60
Conklin Cash & Carry	97
Copeland Lumber Yards	44
Courtesy Home Centers	42
Curtis Lumber	78
Diamond International	27
Dixieline Lumber	37, (42)
Eclipse Industries	58
84 Lumber	6
Elgin Lumber	98
Erb Lumber	30
Ernst Home Centers	8
Evans Products	2
Everitt Lumber	37, (90)
Forest City	20
Foxworth-Galbraith	40
Fullerton Lumber	91
Gee Lumber	62
Goodman Lumber	46
W. R. Grace	1
Great Plains Supply	28
Grossman's	2, (5)
Handy Andy Home Improvement Centers	32
Handy City	1, (18)
Handy Dan	1, (10)
Handyman	12
The Hardware Fair	92
Hechinger	9
Hill-Behan	47
Edward Hines Lumber	51
The Home Depot	22
Homecrafters	36
Homeowners Do-It-Yourself Centers	55
A. C. Houston Lumber	65
Hubbard & Johnson	2, (49)
Kindt	79
Knox Lumber	25, (28)
Peter Kuntz	59
Lampert Lumber	41
Lampert Yards	69
Lanoga	24
Levy's Lumber & Building	80
Lezzer Lumber	85
Lindsley	2, (18)
Lloyd Lumber	34, (41)
L-P Home Centers	82
Lowe's	3
Lumber Headquarters	93
Lumberjack	31
Lumbermen's of Washington	24, (82)
Lundy-Briggs	34, (85)
McCoy's Building Supply Centers	21
Charles Meek Lumber	48
Menards	16
Moore's	2, (21)
National Lumber	23
Neiman-Reed's Lumber City	38
O'Malley	45
Ole's Home Centers	14
Orchard Supply	1, (26)
Paty Lumber	66
Payless Cashways	4
Pay 'N Pak	13
Peavey	56
Pergament Home Centers	17
Plywood Minnesota	68
Plywood Ranch	75
Rickel Home Centers	11
Robertson Cos.	99
T. H. Rogers Lumber	71
Sackett & Peters	70
Samon's Do-It-Yourself Centers	76
Scott's	52
Scotty's	10
Somerville Lumber	53
Southwest Forest Industries	25
Spenard's	24, (60)
Stambaugh-Thompson	43
Star Lumber	77
Strober Bros.	86
Sutherland Lumber	7
TAPJAC	100
Thurman Industries	72
United Building Centers	24, (37)
Valu Home Centers	35
Walker-Kurth Lumber	57
Warners True Value	49
West Building Materials Centers	19
Westlake Hardware	50
Weyerhaeuser	37
Wickes Cos.	5
Wickes Lumber	5, (6)
Williams Bros. Lumber	94
Wolohan Lumber	94
Wolohan Lumber	33
Wood Bros. Lumber	95
Hugh M. Woods	26
Z&L Lumber	73

Subsidiaries are ranked first by parent company; numbers in parentheses denote ranking location.

Ernst parent decentralizes, gives Bill Boston DIY reins

SEATTLE—After suffering "the most difficult year in [our] 35-year history" in 1981, according to chairman M. Lamont Bean, $949 million Pay 'n Save decentralized its operations and placed its home center division, Ernst Home Centers, under the sole direction of general manager and vice president Bill Boston.

Boston will oversee the merchandising and advertising of the 75-unit, $244 million chain, since the parent company eliminated its centralized merchandising department. The department, formed in February of 1981, used to coordinate the operations of Ernst, Yardbird and Von Tobel home centers, Sportswest sporting goods, as well as Pay 'n Save's 133-unit drug and 23-unit apparel divisions.

Boston, who will be responsible for Ernst, Von Tobels and Sportswest, called the restructuring "logical" and "evolutionary." He added, though, that the division will not be as decentralized as in the past when store managers formed committees to make most merchandising/advertising decisions.

In addition, the corporation announced that there would be "zero growth" in the Ernst division in 1982, with Boston claiming that chain officials would concentrate on fine-tuning existing units. He added that future expansion plans were also "hard to predict."

Pay 'n Save has formed a senior management committee—consisting of newly appointed vice chairman Calvin Hendricks, E. Ronald Erickson (who took over the presidential slot from Bean) and Boston—aimed at developing and implementing short- and long-term company goals.

One probable reason for Pay 'n Save's actions was that centralization wasn't working. Its Ernst division, which contributed 29% of 1980's net income, only accounted for 11% last year, or $1.41 million. Overall, the corporation's earnings of $12.8 million fell in 1981 by 32%. And while sales for the first six months of 1982 were up 7.5%, earnings continued to slide to $4.97 million from $5.03 million for the same period last year.

Second-quarter sales and earnings, however, were up 10% and 7%, respectively, and Hendricks pointed specifically to the strength of the home center division for the company's performance over the second quarter.

This year also marked the closing of the original Ernst store, situated in downtown Seattle.

On the corporate front, Pay 'n Save filed suit, along with three other Washington retailers, against Seattle First National Bank, charging that the fee SeaFirst charged for its MasterCard II debit card—which is used by consumers instead of checks—was unfair because debit card purchases are basically checking account transactions and retailers pay no fee when they accept checks from customers.

ERNST HOME CENTERS

	1982 (proj.)	1981
Units	75	76
DIY sales	$244 mil.	$230 mil.
Total sales	$244 mil.	$230 mil.
% DIY	100	100

Source: NHCN

84 Lumber adds 12 units, total volume to hit $600M

EIGHTY-FOUR, Pa.—84 Lumber continued to confound the home center industry this year as it expanded by 12 stores to a total of 362, with few compromises in its no frills policy that offers customers low-priced building materials stored in basic, heatless, unair-conditioned outlets.

Total volume is expected to reach $600 million this year, up from $550 million a year ago. The DIY portion of sales has increased by about 5% to 60% of total volume.

The uniformed store employees continue to offer customers personal service at a time when more home center operations are turning to manufacturer literature, video tapes and other less expensive ways to offer the DIYer information.

Interviews with DIY customers while cursory, consistently showed that consumers consider 84's lumber to be of a higher quality than some of the more polished home center chains.

While 84 is still in little danger of being confused with some of its competitors, at least one of its units, in Atlanta, has adopted a lighting cloud, albeit a limited one.

In 40 states, coast to coast, 84 leads the industry in number of units and projects a total of 400 outlets by the end of 1983.

84 LUMBER

	1982 (proj.)	1981
Units	362	350
DIY sales	$360 mil.	$302 mil.
Total sales	$600 mil.	$550 mil.
% DIY	60	55

Source: NHCN

CENSUS 82 FACTS AND FIGURES

The top 100 home center chains

DIY Rank	Companies	DIY $ Volume (in millions) '82 (proj.)	DIY $ Volume (in millions) '81	Total $ Volume (in millions) '82 (proj.)	Total $ Volume (in millions) '81	% Consumer Sales '82 (proj.)	% Consumer Sales '81	Number of Stores '82	Number of Stores '81	Number of Stores '83 (proj.)
1	**W. R. Grace,** New York (incl. Angels, Cashway, Channel, Handy City, Handy Dan, Orchard)	864	754	897	794	96	95	270	264	297
2	**Evans Products,** Portland, Ore. (incl. Alamo Enterprises, Grossman's, Hubbard & Johnson, Lindsley, Moore's)	678	635	770	756	88	84	341	348	NA
3	**Lowe's,** North Wilkesboro, N.C.	560	462	1,000	888	56	52	235	229	250
4	**Payless Cashways,** Kansas City, Mo. (incl. Furrow)	551	455	580	479	95	95	100	86	115
5	**Wickes Cos.,** Santa Monica, Calif. (incl. Wickes Lumber, Builders Emporium)	530	573	900	1,045	59	55	287	340	NA
—	**Grossman's,** Braintree, Mass. (see Evans Products)	373	356	393	387	95	92	199	204	NA
—	**Wickes Lumber,** Saginaw, Mich. (see Wickes Cos.)	370	418	740	890	50	47	225	278	NA
6	**84 Lumber,** Eighty-four, Pa.	360	302	600	550	60	55	362	350	400
7	**Sutherland Lumber,** Kansas City, Mo.	296	245	395	350	75	70	75	74	NA
—	**Channel Home Centers,** Whippany, N.J. (see Grace)	266	227	266	227	100	100	94	89	NA
8	**Ernst Home Centers,** Seattle (incl. Von Tobel's)	244	230	244	230	100	100	75	76	77
9	**Hechinger,** Landover, Md.	240	211	240	211	100	100	34	31	37
10	**Scotty's,** Winter Haven, Fla.	237	206	308	294	77	70	98	83	105
—	**Handy Dan,** San Antonio, Tex. (see Grace)	234	258	234	272	100	95	76	89	NA
11	**Rickel Home Centers,** South Plainfield, N.J.	220	187	220	187	100	100	34	31	36
12	**Handyman,** San Diego (incl. Homer's)	200	205	200	205	100	100	81	80	NA
13	**Pay 'N Pak,** Kent, Wash.	195	181	195	181	100	100	92	88	NA
14	**Ole's Home Centers,** Pasadena, Calif.	188	160	188	160	100	100	33	32	37
15	**Central Hardware,** Bridgeton, Mo.	180	170	180	170	100	100	30	29	31
16	**Menards,** Eau Claire, Wis.	170	154	200	181	85	85	22	21	NA
—	**Builders Emporium,** Irvine, Calif., (see Wickes Cos.)	160	155	160	155	100	100	62	62	NA
17	**Pergament Home Centers,** Melville, N.Y.	160	125	160	125	100	100	40	42	46
18	**Boise Cascade,** Boise, Idaho	155	153	310	326	50	47	92	96	92
—	**Handy City,** Atlanta (see Grace)	120	95	120	95	100	100	53	53	NA
—	**Lindsley,** Miami (see Evans Products)	134	125	134	125	100	100	43	43	NA
19	**West Building Materials Centers,** Atlanta	116	113	155	150	75	75	65	65	NA
20	**Forest City,** Cleveland	115	109	116	110	99	99	21	21	21
21	**McCoy's Building Supply Centers,** San Marcos, Tex.	109	80	136	100	80	80	39	33	45
—	**Moore's,** Roanoke, Va. (see Evans Products)	105	95	150	149	70	64	86	87	NA
22	**The Home Depot,** Atlanta	100	52	100	52	100	100	10	8	12
23	**National Lumber,** Santa Ana, Calif.	100	90	100	90	100	100	12	11	13
—	**Angels,** City of Commerce, Calif. (see Grace)	96	50	96	50	100	100	28	15	NA
24	**Lanoga,** Seattle (incl. Lumbermen's of Washington, Spenard's, United Building Centers)	90	63	200	152	45	41	124	120	139
25	**Southwest Forest Industries,** Phoenix (incl. Dunlap's, Knox Lumber)	82	82	92	94	89	87	14	15	NA
26	**Hugh M. Woods,** Denver	77	68	86	76	90	90	12	12	15
—	**Orchard Supply,** San Jose, Calif. (see Grace)	76	59	101	78	75	76	17	14	NA
27	**Diamond International,** Sacramento, Calif.	75	78	250	277	30	28	119	124	121
28	**Great Plains Supply,** St. Paul, Minn.	74	70	105	100	70	70	110	116	NA
—	**Cashway Home Improvement Centers,** El Paso, Tex. (incl. Allwoods) (see Grace)	72	65	80	72	90	90	12	11	NA
—	**Knox Lumber** St. Paul, Minn. (see Southwest Forest Industries)	72	69	72	69	100	100	9	9	NA
29	**Busy Beaver,** Pittsburgh	65	59	85	85	76	69	30	28	32
30	**Erb Lumber,** Birmingham, Mich.	65	74	100	114	65	65	36	36	NA
31	**Lumberjack** Sacramento, Calif.	59	54	65	60	90	90	7	6	8
32	**Handy Andy Home Improvement Centers,** Gurnee, Ill.	57	38	60	40	95	95	10	9	13
33	**Wolohan Lumber,** Saginaw, Mich.	57	53	88	89	65	60	35	34	35
34	**American Maize Products,** Stamford, Conn. (incl. Lloyd Lumber, Lundy-Briggs)	56	40	80	66	70	60	39	43	43
35	**Valu Home Centers,** Buffalo, N.Y.	53	43	53	43	100	100	12	11	13
36	**Homecrafters,** Pelham, Ala.	52	52	100	100	52	52	49	49	49
37	**Weyerhaeuser,** Tacoma, Wash. (incl. Dixieline Lumber, Everitt Lumber)	51	46	100	95	51	48	10	10	NA
—	**United Building Centers,** Winona, Minn. (see Lanoga)	51	49	85	82	60	60	108	109	NA
38	**Neiman-Reed's Lumber City,** Sherman Oaks, Calif.	48	48	50	50	95	95	13	13	NA
39	**Carter Lumber,** Kent, Ohio	47	48	78	80	60	60	130	130	NA
40	**Foxworth-Galbraith Lumber,** Dallas	42	35	70	70	60	50	49	49	49
41	**Lampert Lumber,** St. Paul, Minn.	42	46	65	70	65	65	50	50	50
—	**Lloyd Lumber,** Danbury, Conn. (see American Maize Products)	42	28	60	37	70	75	24	22	NA
42	**Courtesy Home Centers,** Mount Prospect, Ill.	40	33	40	33	100	100	4	4	5
—	**Dixieline Lumber,** San Diego	39	34	70	65	55	52	5	5	NA
43	**Stambaugh-Thompson,** Youngstown, Ohio	39	36	39	36	100	100	17	17	20
44	**Copeland Lumber Yards,** Portland, Ore.	38	30	75	75	50	40	77	77	82

CENSUS 82 FACTS AND FIGURES

The top 100 home center chains

DIY Rank	Companies	DIY $ Volume (in millions) '82 (proj.)	DIY $ Volume (in millions) '81	Total $ Volume (in millions) '82 (proj.)	Total $ Volume (in millions) '81	% Consumer Sales '82 (proj.)	% Consumer Sales '81	Number of Stores '82	Number of Stores '81	Number of Stores '83 (proj.)
45	**O'Malleys,** Phoenix	35	33	70	70	50	47	18	18	18
—	**Alamo Enterprises,** San Antonio, Tex. (see Evans Products)	34	29	38	35	90	83	9	9	NA
46	**Goodman Lumber,** San Francisco	33	28	33	28	100	100	5	5	5
47	**Hill-Behan,** St. Louis	33	33	60	60	55	55	32	31	32
48	**Charles Meek Lumber,** Springfield, Mo.	33	25	50	50	65	50	18	18	20
49	**Warners True Value,** St. Paul, Minn.	33	33	35	35	95	95	23	23	NA
—	**Hubbard & Johnson,** San Carlos, Calif. (see Evans Products)	32	30	55	60	58	50	4	5	NA
50	**Westlake Hardware,** Moberly, Mo.	32	29	35	30	91	97	18	17	22
51	**Edward Hines Lumber,** Chicago	29	30	55	59	53	50	25	25	27
52	**Scott's,** Linthicum, Md.	29	18	30	19	95	95	17	17	18
53	**Somerville Lumber,** Somerville, Mass.	29	21	36	26	80	80	2	1	3
54	**Chase-Pitkin,** Rochester, N.Y.	28	25	29	26	95	95	9	9	10
55	**Homeowners Do-It-Yourself Centers,** Gardena, Calif.	28	23	28	23	100	100	5	4	7
56	**Peavey,** Minneapolis	25	34	50	68	50	50	34	38	NA
57	**Walker-Kurth Lumber,** Houston	25	21	50	40	50	52	8	8	8
58	**Eclipse Industries,** St. Louis (incl. B and B, Big E)	24	19	25	20	96	95	8	8	8
59	**Peter Kuntz,** Dayton, Ohio	24	29	48	48	50	60	26	29	26
60	**City Mill,** Honolulu	23	22	24	23	95	95	4	4	5
—	**Spenard's,** Anchorage, Alaska (see Lanoga)	23	14	95	70	25	20	11	11	NA
61	**Church's Lumber Yards,** Utica, Mich.	22	21	32	32	70	67	11	11	11
62	**Gee Lumber,** Chicago	22	19	27	24	81	79	13	12	14
63	**All American Home Center,** Downey, Calif.	21	19	21	19	100	100	1	1	1
64	**Brewster's,** Providence, R.I.	21	21	35	35	60	60	4	4	4
65	**A. C. Houston Lumber,** Wichita, Kan.	21	19	53	48	40	40	12	12	12
66	**Paty Lumber,** Piney Flats, Tenn.	21	20	33	33	64	61	6	6	7
67	**Braver Lumber,** Detroit (incl. Pine Lumber Cashway)	21	23	25	29	85	80	12	13	13
68	**Plywood Minnesota,** Minneapolis (incl. Drexel)	21	31	21	31	100	100	13	20	13
69	**Lampert Yards,** St. Paul, Minn.	20	20	40	40	50	50	38	42	38
70	**Sackett & Peters,** Whittier, Calif.	20	17	20	17	100	100	2	2	4
71	**T. H. Rogers Lumber,** Oklahoma City, Okla.	19	18	29	28	65	65	32	32	33
72	**Thurman Industries,** Kirkland, Wash.	19	17	20	18	95	94	9	9	10
73	**Z&L Lumber,** Pittsburgh	19	17	22	20	85	85	6	6	7
74	**Anderson Lumber,** Ogden, Utah	18	15	55	50	33	30	21	21	23
75	**Plywood Ranch,** Braintree, Mass.	18	17	23	22	80	78	29	28	29
76	**Samon's Do-It-Yourself Centers,** North Salt Lake, Utah	18	18	20	20	90	90	14	13	15
77	**Star Lumber,** Wichita, Kan.	18	18	35	38	50	49	3	3	3
78	**Curtis Lumber,** Ballston Spa, N.Y.	17	15	22	20	75	75	6	6	7
79	**Kindt,** Lomira, Wis.	17	17	30	30	55	55	6	6	7
80	**Levy's Lumber & Building Centers,** Louisville, Ky.	17	16	17	16	98	98	3	3	4
81	**Budget Power,** Hopkins, Minn.	16	15	18	17	90	90	7	7	NA
82	**L-P Home Centers,** El Segundo, Calif.	16	15	25	25	65	60	7	8	NA
—	**Lumbermen's of Washington,** Shelton, Wash. (see Lanoga)	16	14	20	17	80	80	5	5	NA
83	**Bonanza Building Centers,** San Jose, Calif.	15	12	15	12	100	100	6	4	NA
84	**Causeway Lumber/Red Thumb Home Centers,** Fort Lauderdale, Fla.	14	16	36	39	40	40	4	4	4
85	**Lezzer Lumber,** Curwensville, Pa.	14	13	20	22	70	60	4	4	5
—	**Lundy-Briggs,** Williamsport, Pa. (see American Maize Products)	14	17	20	29	70	60	15	21	NA
86	**Strober Bros.,** Brooklyn, N.Y.	14	12	40	35	35	35	9	10	9
87	**Brown's Lumber,** Fairmont, W. Va.	13	11	16	15	81	73	7	7	7
88	**Alexander Lumber,** Aurora, Ill.	12	8	40	40	30	20	60	60	60
89	**Bailey Lumber,** Bluefield, W. Va.	12	11	20	19	60	60	18	18	16
90	**Builderama,** Savannah, Ga.	12	11	15	14	80	79	5	5	6
—	**Everitt Lumber,** Fort Collins, Colo. (see Weyerhaeuser)	12	12	30	30	40	40	5	5	NA
91	**Fullerton Lumber,** Minneapolis	12	13	31	33	40	40	65	70	65
92	**The Hardware Fair,** Baltimore	12	11	12	11	100	100	10	10	10
93	**Lumber Headquarters,** Floral Park, N.Y.	12	11	13	12	90	90	12	12	13
94	**Williams Bros. Lumber,** Atlanta	12	10	30	25	40	40	8	7	9
95	**Wood Bros. Lumber,** Tucson, Ariz.	12	12	13	13	90	90	2	2	2
96	**Alamo Lumber,** San Antonio, Tex.	11	10	19	17	60	60	16	16	17
97	**Conklin Cash & Carry,** Warwick, N.Y.	11	11	13	13	85	85	7	7	8
98	**Elgin Lumber,** Elgin, Ill.	11	11	19	18	60	60	6	6	6
99	**Robertson Cos.,** Grand Forks, N.D.	11	14	28	35	40	40	30	30	NA
100	**TAPJAC,** Carthage, Mo.	11	9	18	18	60	55	13	13	13

All figures from annual reports, company officials, or NHCN estimates based on market and industry data. Figures for companies operating on fiscal year basis have been adjusted into 1982 calendar year for comparison purposes.

NA—not available

CENSUS 82 FACTS AND FIGURES

Hechinger

LANDOVER, Md.—Hechinger, the mid-Atlantic chain, added three stores to its current markets this year for a total of 34 units and will end 1982 poised to enter a new territory, North Carolina.

This expansion and the filling in of other markets, such as Philadelphia where three of a projected 15 stores have so far been opened, will probably be internally financed.

As of July 31, the company had cash on hand and marketable securities in excess of $22 million in addition to a credit line of $7 million.

The company's cash position was strongly helped by the sale of 800,000 shares of common stock in September 1980, which generated about $16.5 million slated for the Philadelphia expansion and store openings in other markets.

For the 12 months ended January 1982, interest income on that money amounted to $4.2 million. In the following first half interest income remained only slightly off, reaching almost $2 million for the period ended July 31.

At the same time, Hechinger stores performed strongly, with sales and earnings up for the first half of this year compared with the year before.

In an interim report to stockholders the company reported that second-quarter sales and earnings reached their highest point ever in the 71-year history of Hechinger.

The 13 weeks ended July 31 produced net income of $3 million on sales of $67.2 million. Income was up 37% from $2.1 million a year earlier, while sales increased by about $10 million or 16%.

In the second quarter, income as a percentage of sales increased from 3.7% to 4.5%. Over the first half of 1982 the same comparison increased from 3.6% for the 26 weeks ended Aug. 1, 1981, to 4.1% for the period ended July 31, 1982.

HECHINGER

	1982 (proj.)	1981
Units	34	31
DIY sales	$240 mil.	$211 mil.
Total sales	$240 mil.	$211 mil.
% DIY	100	100

Source: NHCN

The first half produced net earnings of $5.02 million, up 26% from $3.9 million a year earlier, while sales advanced 11% to $121.9 million compared with $109.6 million in 1981.

The expansion into North Carolina, scheduled to begin in February 1983, will be made possible by a 25% increase at the Landover, Md., distribution center, bringing the total space to 500,000 sq. ft.

The additional area will allow Hechinger to open stores more than 200 miles from its home base for the first time.

Along with extending the 200-mile radius, Hechinger will now be able to operate a total of 55 stores.

Scotty's

WINTER HAVEN, Fla.—Scotty's chalked up its seventh straight year of record sales in its 1982 fiscal year ended June 30 with volume of $308 million, $237 million from DIY sales.

In fiscal 1982, the average annual sales per unit were $3,588,820. Average sale per customer was $21.93, while average sales per square foot were $95.30.

DIY sales climbed 15% in 1982 with the addition of 16 stores. New stores opened in Seminole, Brandon, Tallahassee (2), Port Orange, Bayonet Point, Pine Hills, Palm Beach Garden and Hollywood over the past year. In addition, Scotty's acquired the seven-store RBC lumber and building supply chain in the Florida Keys and those stores began operating as Scotty's outlets in May. It subsequently consolidated two of the acquired units into one.

While consumer sales at Scotty's were strong, contractor sales for fiscal 1982 were off approximately 17%.

Scotty's is projecting continued expansion with the addition of six stores by the end of fiscal year 1983. Scotty's wound up this fiscal year with $12 million slated for continued expansion of the 99-store chain. The chain plans to focus on the Florida market covered by its existing advertising base; ultimately, Scotty's plans to operate 150 stores.

SCOTTY'S

	1982 (proj.)	1981
Units	98	83
DIY sales	$237 mil.	$206 mil.
Total sales	$308 mil.	$294 mil.
% DIY	77	70

Source: NHCN

Total inventories were reduced 5% to $47.5 million in fiscal 1982. Inventories were reduced in stores and in Scotty's 605,000-sq.-ft., Winter Haven distribution warehouse, even though Scotty's ended the year with 16 additional stores and 12% more sales space than 1981.

Scotty's introduced a new mail-order service through its thrice-yearly, 9,000-item catalog in March. Scotty's will ship to all 50 states, although initially the catalog will be distributed at its stores. Mail-order sales for the first six months of the program were $40,000 to $50,000.

In a personnel move, Dennis Stults was promoted to executive vice president and was elected to Scotty's board of directors. Stults is overseeing buying as well as sales and retail store operations.

Evans

(Continued from page 15)

stores, down from 348 a year ago. The DIY volume increased a few percentage points to 88% of total volume. Grossman's, which is the furthest flung chain with stores on both coasts, had 199 units.

There were some major operational changes. Henry D. Kirschner started 1981 taking over as Grossman's vice president and general merchandise manager.

This spring he took over as president of Lindsley and soon announced that the 43-store chain would be divided into two regions.

Lindsley, the only Evans chain that is 100% DIY, had projected sales this year of $134 million, up from $125 million in 1981.

In contrast, Hubbard & Johnson, the 50% contractor chain that operates in California, will end the year about $5 million short of last year's $60 million volume.

At the same time, Moore's, with 86 stores in the South and mid-Atlantic regions, is expected to end the year with sales of about $150 million compared with $144 million last year.

The DIY portion of Moore's total volume probably increased somewhat during 1982 to around 70%. Alamo, the smallest Evans chain, with nine stores and $38 million in sales projected for 1982, also probably boosted its DIY volume somewhat. Its 1981 total sales were $35 million.

With five chains so diversified in size, geography and orientation, the big question facing Evans as 1982 draws to a close, is whether a single buyer can be found for the entire package, which is the way the firm hopes its retail division can be sold.

With an estimated asking price of over $300 million, Evans, through its investment broker Salomon Bros., is approaching potential buyers who are already in retailing, are interested in diversifying into the industry or may be in related industries.

The deal, which would probably have to be in cash, could make the buyer an instant giant in the home center industry.

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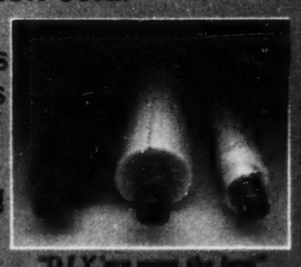

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CENSUS 82 FACTS AND FIGURES

Rickel

SOUTH PLAINFIELD, N.J.—Transition was the operative word at Rickel Home Centers this year. Not only did the chain name a new president but it also attempted to achieve more uniformity in its stores by reducing the size of its 100,000-plus-sq.-ft. units to conform more with its 50,000-sq.-ft. prototype.

Stanley Abramson, who was Rickel's chairman as late as 1979, became the new president and ceo, replacing Kenneth Peskin who moved on as executive vp for the 117-unit Pathmark supermarket chain. Both Rickel and Pathmark are divisions of the $3 billion Supermarkets General.

The chain did $111,004,000 in the first half of this year, and for the 52-week period ended July 31, the chain's volume was $202,208,000. *NHCN* estimates that, by the end of fiscal 1982, Rickel's sales will be $220 million, all of which are to DIY-ers.

The chain trimmed more than 240,000 sq. ft. of floor space from eight of its stores in New York and New Jersey. "These stores were simply too big for our current needs," said senior vp-sales/merchandising Will Vachon. The excess space has been leased out to several vendors, many of whom reported increased sales resulting from the retrofitting (*NHCN*, April 12).

The chain, which started the fiscal year with 31 units, opened stores in Staten Island, N.Y., and Shillington, Pa., each approximately 45,000 sq. ft. with 10,000 sq. ft. of outdoor selling space. Rickel plans to open one more store this year and at least two more in 1983, one being located on an 11-acre tract of land the company recently purchased in Glenolden/Darby, Pa. That store is scheduled to open in the spring of 1983.

In line with its expansion plans, the chain appointed Bernard Wallach to the new position of vp-real estate division. Since 1976, Wallach had been director of real estate for the chain, and previous to that had been a real estate negotiator for Supermarkets General.

RICKEL HOME CENTERS

	1982 (proj.)	1981
Units	34	31
DIY sales	$220 mil.	$187 mil.
Total sales	$220 mil.	$187 mil.
% DIY	100	100

Source: NHCN

Employees on the move?

Send us your personnel promotions and changes so that *NHCN* can keep the industry up to date about your chain. Include name of individual, company, new position, old position and years with the firm. Also, if possible, send black-and-white photo to People, *National Home Center News*, Lebhar-Friedman, 425 Park Ave., New York, N.Y. 10022.

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1982 Consumer sales by category

CATEGORY	1982 CONSUMER SALES (Proj. in millions)
Lumber/Plywood	**$7,100**
Dimensional lumber	4,800
Plywood	2,300
Hardware	**3,300**
Builders hardware	2,460
Fastners/nails	841
Lawn & Garden	**1,950**
Paint/Sundries	**2,100**
Paint	1,470
Sundries	508
Brushes/rollers	111
Sandpaper	11
Paneling/Hardwood	**1,700**
Hand & Power Tools	**1,616**
Hand tools	949
Power tools	668
Millwork	**1,610**
Roofing	**1,590**
Plumbing	**1,412**
Fixtures	522
Fittings	890
Electricals	**1,265**
Electrical supplies	902
Lighting fixtures	363
Kitchen Cabinets/Vanities	**883**
Floor Covering	**801**
Resilient tile	312
Sheet flooring	257
Hardwood flooring	156
Carpeting	76
Heating	**679**
Nonelectrical heating	382
Stoves/fireplaces	297
Insulation	**637**
Fencing	**442**
Wallcovering	**311**
Ceiling Tiles	**311**
Automotives	**307**
Adhesives/Sealants	**174**
Drapery/Blinds/Shades	**80**
Unfinished Furniture	**77**
Laminated Plastic	**59**
Ceramic Tiles	**41**

Source: NHCN, Frost & Sullivan.

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CENSUS 82 FACTS AND FIGURES

Imports, higher-end goods cause stir in tool market

NATIONAL REPORT—The impact of imports on the domestic market and the trend, at the retail level, towards higher-end merchandise were the dominant elements in the hand and power tool category this year.

Imported tools now make up about 20% of United States market sales, and both manufacturers and retailers are starting to pay closer attention to this competitive force. "Whether the import tool is a better tool isn't important," noted Norman Romito, power tool buyer for Ace Hardware, Oak Brook, Ill. "It's the customers' perception that it's a better tool and has heft and weight and can be abused a bit."

Retailers report that imports have yet to make a serious dent in the domestic hand tool makers' dominance in the market. In fact, according to responses to a survey conducted by *NHCN*, almost half of the 42 chains polled said they carry no imported tools, with nearly as many indicating that import brands account for 10% or less of the total sku's in their departments.

The heat's on

However, it is undeniable that foreign tool maker-importers like Bosch, AEG and, more significantly, Makita, are causing domestic power tool companies a lot of headaches. In fact, Black & Decker, which suffered a 36.5% drop in earnings in 1981, has been phasing out its "trade" line in favor of a more expensive and durable industrial line of power equipment. Group vp and gm James Barcus conceded this move was a "competitive response" to the challenge from the imports.

One of the reasons hand tool makers have been able to ward off foreign invaders is that the quality of domestic products still far exceeds that of tools made overseas. And home center retailers now feel that quality has become the key feature in their hand tool merchandising.

Voices disagreement

"Some chains have been able to make money with hand tools at the low end, but we're not interested," said Dan Aulwurn, buyer for Louisiana-Pacific, El Segundo, Calif. "Our customers are buying at the high-middle end so that's where our program is positioned."

A number of other chains have been reassessing their tool department profitability, and seem to be opting for better merchandise (*NHCN*, Aug. 16). In the aforementioned survey, retailers reported that the average margin in their tool department was 37.5%, and that the department generated an average 11.7% of stores' sales. "For the most part, we'll stock those tools that have the greatest DIY appeal," said one buyer for a large Midwestern chain that is re-evaluating its tool department on an item-by-item basis. "And the trend seems to indicate that consumer preference is for the higher-end merchandise."

Whether this means that retailers will be cutting back or adding to their tool lines is difficult to ascertain. Some chains, like Hechinger, Home Depot, Gee Lumber and L-P, prefer to overwhelm customers with mass merchandising, whereas other chains, such as Lindsley, Forest City, Payless Cashways and Grossman's, appear to favor a more selective approach, emphasizing high-quality, faster-turning tools.

It is estimated that home centers will sell about $1.6 billion worth of hand and power tool equipment this year, and the opportunities for further sales growth still exist. According to the homeowner study conducted jointly by *NHCN* and the National Assn. of Home Builders, 11.5 million households purchased a hand tool over the past year, and 6.6% of the survey's respondents said they would buy the product over the next year, which equates to 2.93 million homes.

However, the market for power tools appears to be waning slightly: while about 10 million households bought power tool equipment over the past year, only 4.5% of the respondents—or the equivalent of 1.9 million homeowners—planned a power tool purchase next year.

Other issues that both retailers and manufacturers of tools have confronted this year include problems of freight and inventory cost vs. the desirability of direct shipment (with most retailers claiming they will go two-step only if there is a price advantage); whether DIY instructions and information are best conveyed on packaging, through in-store product demonstrations or by knowledgeable sales people, (with no real consensus forming); and whether there is anything to be gained by offering consumers the opportunity to rent tools (most dealers gave thumbs down to this merchandising ploy).

HAND AND POWER TOOLS

Total Consumer Sales: $1.616 billion

	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	4.1	5.0
Gross Margin	31%	32%
GMROI	127%	160%

Source: NHCN, Frost & Sullivan, Home Center Institute

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It's a snap with new Nicholson Magicut.

CENSUS 82 FACTS AND FIGURES

DIY floor covering sales to reach $800M in 1982

NATIONAL REPORT—Home center operators will ring up an estimated $800 million in 1982 for floor covering products.

Vinyl tile appears to be the most frequently DIY-installed flooring product, according to a survey conducted by the TRAC division of National Family Opinion. The study showed that 84% of those households that bought the product installed it themselves without professional help, compared to about a third of respondents who purchased vinyl sheeting.

However, the TRAC study reported that vinyl sheeting was the most popular flooring product among those who bought flooring, with 45% of the households surveyed purchasing it, compared to 27% who bought vinyl tile.

According to a separate study conducted by *National Home Center News* and the National Assn. of Home Builders (*NHCN*, July 5), 11% of the nation's 44.4 million single-family, owner-occupied households bought vinyl flooring during the 12 months prior to March 1982; 27% purchased carpeting.

In spite of the fact that vinyl sheeting is growing in popularity among consumers, buyers report that home centers are still having difficulty presenting the product as a DIY project. Manufacturers have beefed up the effort to promote sheet vinyl as a do-it-yourself project with increased advertising and marketing aides.

Congoleum, for instance, introduced a new DIY flooring tool called Accu-Marker this year as part of its Pro-Fit program for retailers. It allows DIYers to score sheet vinyl precisely with a wedge-tipped marker.

Armstrong, in addition to in-store merchandising displays that emphasize ease of installation, also offered a "Trim and Fit" installation kit, which it says has reached a level of 80% among its accounts during the past year.

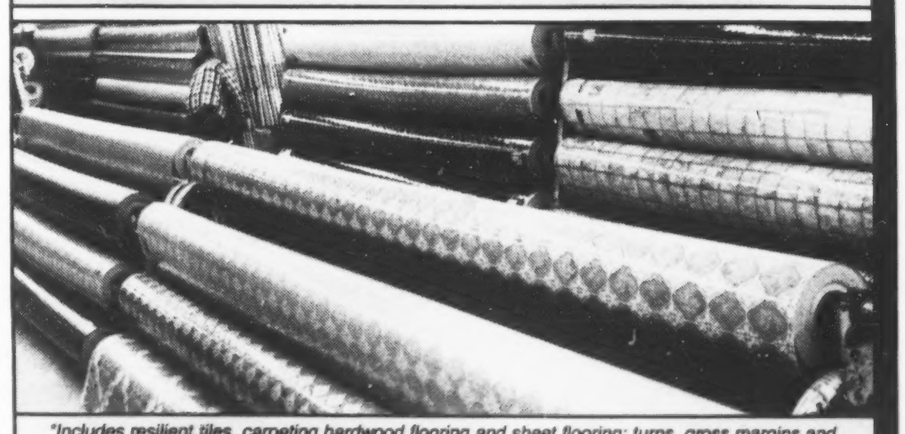
A new flexible flooring was recently introduced by Mannington Mills that requires no adhesive, further simplifying the DIYer's installation work.

With increased advertising budgets from manufacturers, new tools and clinics, some buyers still agreed with Jack Hoffman of Chicago's 13-store Gee Lumber, who said, "We sell four times as much tile as sheet goods."

Despite the national figures to the contrary on sheet vinyl sales, another buyer, Paul Neufell, decor manager at Village Home Center, Waltham, Mass., summed up consumer wariness, "Most customers are still afraid of making a bad cut and ruining the whole thing when they've spent $500."

Carpet manufacturers got a long-awaited break this year, when the Federal Trade Commission, after a 12-year struggle, dismissed a proposed labeling requirement this summer. The requirement would have compelled carpet and rug manufacturers to attach care labels to their products.

FLOOR COVERING		
Total Consumer Sales*: $801.1 million		
	Home Center Outlets	**Lumber/Building Material Outlets**
Annual Turns	**5.4**	**6.4**
Gross Margin	**27%**	**24%**
GMROI	**146%**	**154%**



*Includes resilient tiles, carpeting hardwood flooring and sheet flooring; turns, gross margins and GMROI based on resilient floor tile averages.
Source: NHCN, Frost & Sullivan

Payless Cashways

(Continued from page 15)

new posts of regional vice president, stationed in Indianapolis and Dallas, respectively.

The chain also looked to solidify its corporate management. New additions included John Breedlove, who left West Building Materials to become Payless' general merchandise manager, and Wallace Leyshon, formerly a management consultant for the accounting firm Peat, Marwick, Mitchell & Co., who was appointed Payless' new director of corporate planning. In addition, vp-construction/expansion Richard Hemer was named to the new post of senior vice president, with Michael Didier, formerly the chain's construction manager, taking over the vp-construction post.

The company, throughout some managerial shuffling, also showed some of its strategic planning designs. Wayne Reimer, who was the chain's general products merchandise manager, now takes on the duties as special projects manager.

And, in its most ambitious move to date, Payless is beginning to develop a computerized Management Information System to track all merchandise from vendor purchase to point of customer sale. The system, to be completed by 1986, will be overseen by vp-operations and systems Larry Koeppen. Its hardware and software packages are being devised by Bradley Talley, who worked in a similar capacity until recently at the Scotty's chain.

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CENSUS 82 FACTS AND FIGURES

DIY chains up ad budgets to create identity in paint

NATIONAL REPORT—Paint and paint sundries continue to be at the forefront of home center merchandising, although aggressive promotions and retail price slashing have reportedly eroded profits for some chains.

Nevertheless, many home center retailers have upped their advertising budgets for paint in an effort to give their programs more identity among consumers who, according to one survey, are more concerned with the reputation of the retail outlet than in brands when they shop for paint.

Several retailers were turning to the airwaves to get their paint merchandising message across. For instance, Levy's Lumber, Louisville, Ky., had two of its buyers discuss the product and its DIY application during a home improvement radio broadcast the chain sponsors on Friday nights. Goodman Lumber in San Francisco used the promotional program provided by its paint supplier as part of a $200,000 merchandising test using radio spots. According to buyer Ken Smith, the chain had 10-15 weeks of spots reserved for paint alone.

Upswing noted

And at Brookhart Building Centers, Colorado Springs, paint promotion now accounts for 15% of its total ad budget. According to vp Larry Nichols, the chain promotes paint the heaviest—10 times— between March 1 and July 1, mixing up its newspaper, radio and TV ads.

Brookhart is also looking to reduce its 2,300-sku paint department and maintain an average 34% margin with a 20% increase in sales.

However, increases in sales and profits have been easier said than done for many chains. The competition has been "brutal" according to one dealer with chains cutting their prices drastically just to attract customers. "Our industry has just been too aggressive in its paint pricing, and it's really starting to affect margins in our market, which is as cutthroat as any in the country," said Paul Conley, retail sales manager for O'Malley Lumber, Phoenix.

Major factor

The main dilemma for retailers is their penchant for carrying well-advertised national brands when their competition is stocking the same label. In the past, sheer volume sales and ancillary revenue generated by sundries have compensated for margin reductions, but with the country in the throes of a recession, the volume for many chains has dissipated.

Some retailers, particularly the large chains, have opted for a greater use of private label; others, like Scotty's are carrying the paint of regional suppliers; still others are attempting to mix up their promotions, putting different price points on sale at different times of the month. Busy Beaver, the Pittsburgh chain, is one company using this approach.

Paint, for most home centers, is on sale at least twice a month and sometimes as often as once a week. Retailers, searching for ways to distinguish their departments from the competition, reportedly are employing stronger in-store signing, cleaner, more succinct tab advertising, and are emphasizing the features of the paint product they carry to a greater degree.

How effective any of this promotion is remains a matter of conjecture. According to a survey conducted by Rohm & Hass, the Philadelphia-based chemicals manufacturer, while 8.2 out of every 10 respondents were satisfied with the most current paint they used, 41% said they had switched paint lines in their last purchase, with 65% switching on each of the last two purchases. When asked why they had bought a different label of paint, a full 59% answered "I don't know."

The survey cataloged where consumers were most likely to purchase paint. Paint stores finished first, capturing 36% of all four markets tested, with Sears second (32%) and home centers third (10%).

This survey also showed that consumers were acutely aware of the differences between low-and high-end paint, and understood the basic plusses and minuses of buying either. In judging good, better and best paint, those polled showed a marked tendency to pay extra for finer-quality paint products, with 61% of all markets claiming durability as the single most important benefit, 21% looking for single coat coverage (*NHCN*, May 10).

(Continued on page 54)

PAINT/PAINT SUNDRIES

Total Consumer Sales: $2.10 billion

	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	5.5	5.1
Gross Margin	39%	39%
GMROI	215%	199%

Source: NHCN, Frost & Sullivan, Home Center Institute

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CENSUS 82 FACTS AND FIGURES

Vastly improved in-store signage, giving consumers the more detailed information needed in selecting the right paint products, is one way Channel Home Centers, in its Wappinger Falls, Pa., unit, distinguishes its paint department from its competitors. NHCN photo

Chase-Pitkin, Rochester, shows off its private label paint program which generates close to $3 million annually for the nine-unit chain. Private label merchandising has been one method retailers have tried to prod sales in a highly competitive paint market. NHCN photo

Paint ad budgets

(Continued from page 53)

That quality is an important element in a paint purchase among consumers should surprise few retailers. Responding to a recent *NHCN* survey conducted among 176 home center dealers, 73% noted quality as a "very important" element in their carrying one paint product over another, with service finishing second (58% response level).

This study also showed that retailers were looking to reduce the number of lines they carried, possibly to ease inventory pressures, but more probably to capitalize on the one or two paint lines they have sold successfully in their markets. Of those responding to this question, 88% of the retailers said they carried only two paint lines, with close to 60% using only one vendor; in the stain category, 83% of the respondents stocked two brands, with 45.3% carrying one.

Figures analyzed

Paint also appears to be accounting for a lower portion of storewide sales than in the past, according to the survey. Over 60% of those polled said that paint/stain sales represented only 5%-10% of their store's total volume; and 16% replied that these products generated less than 10% of their store's earnings. Previously, retailers have all pointed to sales and earnings from paint as being anywhere from 15%-20% of their store's volume.

Despite having to compete with Sears, the 851-unit giant that industry sources claim owns at least 25% of most paint markets, home centers are also up against paint specialty chains, which have seen substantial growth over the last couple of years. One of these, the 567-unit Color Tile, told a group of security analysts in New York this summer that 17%-21% of all the products it sells, including paint, would be manufactured in its new plant in west Chicago, Ill.

And Standard Brands, the 91-unit, $220 million chain in Torrance, Calif., has further expanded its network of distribution through its purchase of the Denver-based KWAL Paints, which included 25 stores and a manufacturing facility. Standard Brand officials projected sales of $9 million from this segment alone by next year.

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CENSUS 82 FACTS AND FIGURES

Higher-ticket sales mark panel/molding department

NATIONAL REPORT—Paneling and molding remained popular items with DIY customers this year and significant profit makers for retailers, with paneling turning about five times at gross margins of 35%, while molding fetched margins of 50% and up.

A survey conducted by *National Home Center News* and the National Assn. of Home Builders found that 9.8% of the owners of single-family, detached homes had purchased paneling in the past 12 months, while 10.4% had bought molding.

In both cases the products were overwhelmingly DIY, with 61% and 69% of homeowners, respectively, doing their own installation. The survey (*NHCN*, July 5) also found that occupants of older homes seemed to show a greater preference for the products.

In terms of price, while there was still a market for lower-end items, DIYers were showing stronger interest in high quality, real wood products in paneling. In molding there was a similar interest in quality and decorator usage.

Changing attitudes

One of the year's interesting stories about changing customer tastes in molding came from Erb Lumber, Birmingham, Mich., which remodeled its store fronts and certain inside areas last year with a 1x4 tongue and groove, kiln-dried, inland red cedar that it did not stock for sale.

Customers started asking for the paneling, however, attracted by its handsome, real-wood appearance. Erb has since sold more than 100,000 board feet, according to Pat Young, vice president, purchasing. It sells for 33¢ per linear foot at a margin near 50%.

"We're looking at wood siding for interior applications for accent walls," said Young.

Strength examined

Customer interest in rich looking wood paneling was also noted by Bernie Bernstein, president of Mid-State Lumber, a Somerville, N.J., wholesale operation that sells mostly to retail yards.

Mid-State offers 1x6 clear cedar and redwood that is being used both inside and out. Inside use would be the rough equivalent of spending $33 per 4x8 sheet of paneling.

"People are becoming more quality minded. They're moving less and when they put something up, they put it up to stay," said Bernstein.

A market report prepared this year by the Western Wood Products Assn. drew a similar conclusion: "Again, we found that in most areas paneling is becoming more popular," the report summarized. "People look upon solid board paneling as something that is solid and real, not phoney or fake. They are willing to spend a little extra for the real thing."

The story this year in molding was similar. Customers, who in the past were content to finish a room with strips of cove and base, are becoming more interested in highly decorative profiles. Home centers and the molding industry were beginning to respond to this emerging customer interest.

"As a group of merchants we may have missed the boat a little bit," said Greg Wessling, Lowe's vice president, merchandising. "For $20 of chair rail molding a customer may make a room look as if it underwent a $400 improvement."

Indeed, Lowe's, determined not to miss that sales opportunity, completed the first year of its "cut-to-length real wood molding program." The program initially involved 12 molding styles in 7-ft. and 8-ft. lengths, displayed vertically next to paneling in a decorator area, rather than with lumber. The program will probably be expanded.

"You've got to offer the customer more than casing, base and crown," said Wessling. "You've got to have picture, chair rail and cove, the glamour moldings."

To stimulate customer interest in the decorative possibilities of molding, the Wood Molding and Millwork Assn.

(Continued on page 70)

PANELING/HARDWOOD

Total Consumer Sales: $1.700 billion

	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	5.0	5.3
Gross Margin	32%	30%
GMROI	160%	159%

Source: NHCN, Frost & Sullivan

Correction

In the Oct. 11 article "Survey: Quality and service key in paint vendor choice," a bar chart of paint/stain sales as a percentage of total home center volume should have shown that 62% of the respondents said the products' sales made up between 5%-10% of their stores' volume, with 9% of the respondents claiming that paint/stain sales represented 20% or more of their stores' total.

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CENSUS 82 FACTS AND FIGURES

Kitchen remodeling is top DIY alteration: Survey

NATIONAL REPORT—Kitchen remodeling was the DIY alteration most often completed this year by owners of single-family, detached homes, according to a special report on DIY activity (*NHCN*, July 5).

The survey, conducted by *NHCN* and the National Assn. of Home Builders, showed 5.1% of the sample, equivalent to 2.26 billion households, completing the job on their own over the past 12 months.

DIYers, on average, spent $1,550 on the project which, projected nationally, totaled $3.5 billion.

This year many home center chains remerchandised their kitchen departments, in an effort to take advantage of this trend, by glamorizing their kitchen departments. But surprisingly, a national promotion "National Kitchen and Bath Week" slated for Sept. 18-26 and sponsored by the American Institute of Kitchen Dealers, received a very low level of participation in the home center industry.

Concept hailed

Stan Shapiro, bath buyer at Somerville Lumber, thought it was "a tremendous promotional opportunity for home centers that don't advertise on a regular basis."

Somerville Lumber, however, advertises continuously and is known throughout the area from six-times-a-year, 12-page, color flyers that feature at least a full page of bath products and two pages of kitchens, in addition to other advertising.

Home centers with a commitment to kitchen and bath departments generally feature and sell high-glamour products. Buyers like Shapiro at Somerville, and others in chains that have "romanced" their displays find that high-end products move easily.

"It's not uncommon for us to sell two or three $3,000 or $4,000 high-grade bathtubs with whirlpools or jacuzzis a week," Shapiro said.

The emphasis at an increasing number of home centers this past year was the establishment of realistic settings for bath and kitchen products, which also lead to more opportunities for cross merchandising of other home-center products such as lighting, flooring, and wall coverings.

Some stores remodeled their kitchen departments during the slower winter months, because the majority of kitchen sales seem to occur during the spring through fall season.

Somerville added two new European designs to its kitchen department last March.

Edward Hines Lumber moved the kitchen department to the front of the store in several Chicago locations in an effort to get as much glamour up front as possible. Lloyd Lumber, Danbury, Conn., redesigned its kitchen departments last spring, adding new lines and dropping slow movers. A total of seven cabinet lines will be carried in the new departments.

Forest City remodeled its kitchen departments this year in a move to make more merchandise available while tying up less inventory. The remodeling withdrew all built-in displays in favor of modular, freestanding cabinets, which made discontinuing a line easy if sales were slow.

Forest City changed a few suppliers during the remodeling process. Some outmoded lines were replaced with a more modern look. At most outlets Forest City carries six lines of kitchen cabinets.

One of the slow movers Forest City removed were knockdown cabinets, a product that many chains are finding difficult to sell. The reason, many buyers agree, is that the price difference between knockdowns and assembled cabinets is not great enough to justify the extra labor in the eyes of customers.

Remodeling definitely paid off. Hines experienced a jump in kitchen sales from 5% to 15% of total sales at the stores featuring the new up-front kitchen department. Somerville Lumber's constantly changing kitchen departments accounted for 18% of the stores volume. Lloyd Lumber estimated that 15% to 20% of its 1982 business would be from kitchens.

KITCHEN CABINETS/VANITIES

Total Consumer Sales: $883 million

	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	4.5	5.1
Gross Margin	37%	34%
GMROI	167%	173%

Source: NHCN, Frost & Sullivan

Sutherland

(Continued from page 17)

have purchased some new sites."

Sutherland did project a 14% growth in sales for 1982, despite soft sales in the Midwest and East this year when the chain fared better in the Sunbelt.

The chain is banking on new TV commercials, conceived by its in-house advertising agency, that are custom-created for individual markets. The five markets that received the bulk of Sutherland's 1981 ad dollars were Kansas City ($117,200), Omaha ($65,600), San Antonio ($65,300), Tulsa ($64,000) and Denver ($61,900).

The chain's TV ads are designed to encourage long-term customers rather than one-shot, promotional traffic.

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CENSUS 82 FACTS AND FIGURES

DIY dealers respond to growth in plumbing by increasing mix

NATIONAL REPORT—Home center plumbing and bath departments claimed a greater percentage of total volume than they did three years ago according to a *NHCN* survey done last spring. And those same retailers indicated they plan to respond to the growth by increasing their selection of plumbing and bath products.

Among the 50 chains and independents polled, representing nearly 1,000 stores, dealers said plumbing/bath now accounted for 13.2% of their sales as compared to only 11.7% of sales three years ago. Many respondents said they might increase their sku counts in the category in the next 18 months from as little as 1% to as high as 50%.

The department yields a relatively good average gross margin of 40%, according to the study, while averaging 15% of a home center's retail area.

Plastic pipe showed the best movement with 5.7 average turns, followed closely by plastic fittings and faucets at 5.6, and toilet seats at 5.5.

In fact, plastic fittings and pipe outdistanced their copper and brass counterparts easily. Copper fittings produced average turns of 4.6 with brass fittings reporting 4.5 turns.

No effect

Plastic pipe did not suffer in the past year from the legal and political controversies that had surrounded its use to carry drinking water in California. Buyers reported that consumers are looking for price when they buy pipe and fittings and are, for the most part, unaware of the safety debate.

Both manufacturers and home center retailers increased efforts to direct plumbing advertising and promotion to female consumers. Companies like Peerless Faucet in Indiana and Kohler in Wisconsin researched the issue and spotted a trend of women as "initiators" of plumbing purchases.

Scott Hutton, national accounts manager for Peerless Faucet, spoke of his company's research: "She's the one who sees the toilet or faucet leaking. And we've tried not only to identify her, but to direct any promotional efforts toward that person."

Peerless is accomplishing that through a "no-tool" concept of installation. Kohler is emphasizing quality in the belief that women are more "quality conscious."

Home center retailers found a growing market throughout the country for brand-name plumbing fittings and fixtures as manufacturers sought a greater share of the DIY mar-

(Continued on page 61)

PLUMBING		
Total Consumer Sales: $1.412 billion		
	Home Center Outlets	**Lumber/Building Material Outlets**
Annual Turns	**5.1**	**5.4**
Gross Margin	**41%**	**35%**
GMROI	**209%**	**189%**

Source: NHCN, Frost & Sullivan, Home Center Institute

W. R. Grace

(Continued from page 15)

(*NHCN*, March 29).

Orchard, the northern California chain, Channel and Handy City were not included in the reorganization. By ceding the Angels/Phoenix stores to the Western region, however, Handy Dan's volume, about $236 million in 1982, became second to the $273 million that Channel is projected to reach in total sales.

In an unrelated personnel change that occurred at about the same time, Robert S. Downie was named to the newly created home center division position of executive vice president. Later in the year, Thomas Thornton Jr. was named vice president of finance and administration for the home center division.

It was Thornton who spent much of June in Atlanta when Handy City took over a former Green/Harris store and turned it into a warehouse sale. Green/Harris, which was acquired in 1979, when Grace bought Daylin, produced sales of about $20 million in 1981, much of it from contractors. The stores were sold or liquidated this year. The Atlanta area outlet where the warehouse sale was held is now a Handy City distribution center.

Further attempts

All the Grace chains have now adopted an installed sales program, initially in place at Handy Dan. Orchard's program is in its formative stages. Channel heated up its effort in the fall and took another step toward the Handy Dan back-to-basics approach with the increased lumber and building materials presentation at its Saugus, Mass., store opened in September.

David Watkins, a former Montgomery Ward employee, joined Grace in June to head up the installed sales program from the New York office. The rationale for this effort, said Denny, is the belief that there are additional home improvement dollars not being captured because the non-DIYer has been ignored by home centers.

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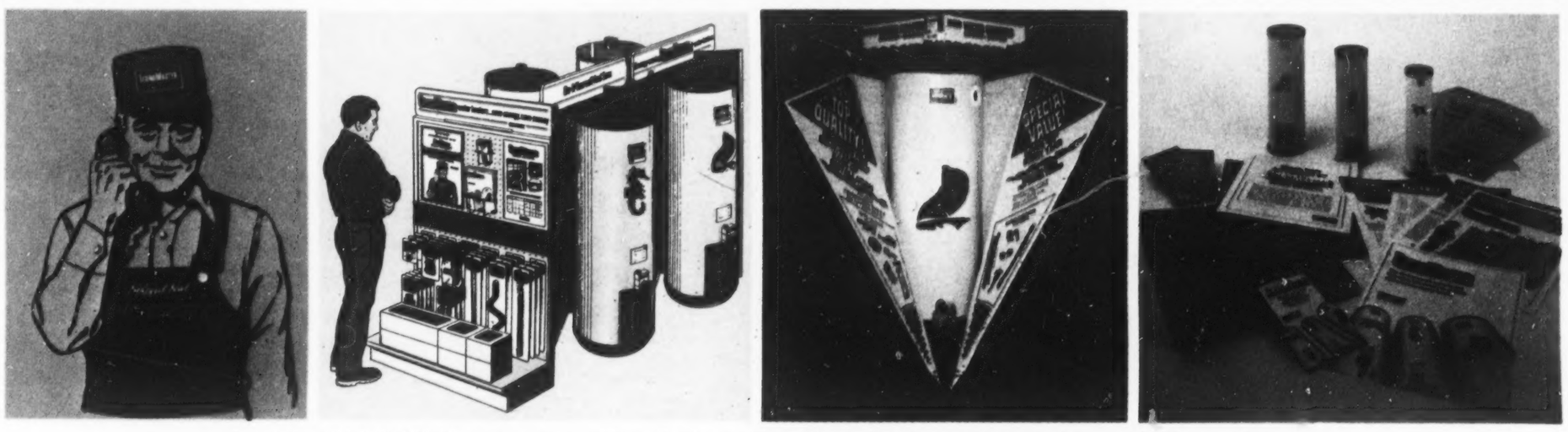

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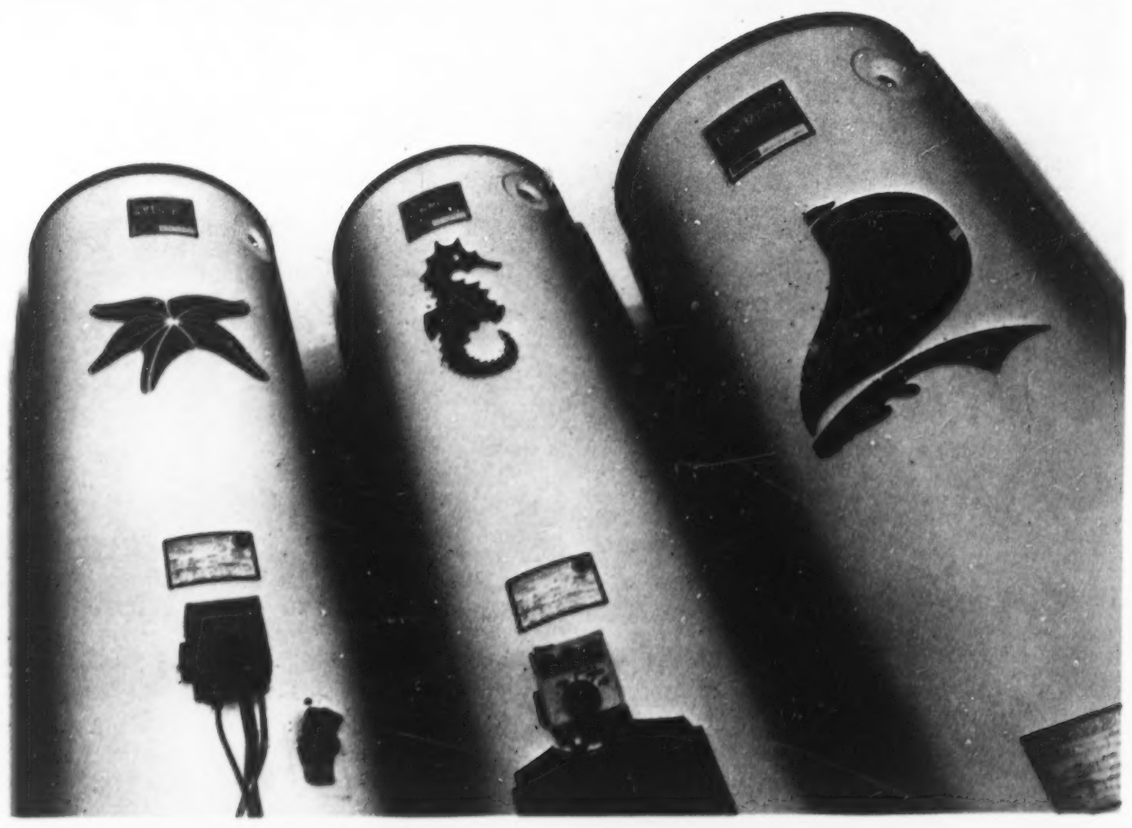

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CENSUS 82 FACTS AND FIGURES

Plumbing

(Continued from page 59)

ket by emphasizing their trademark as conspicuously as possible.

Manufacturers reported hard bargaining among their home center customers for advertising support this year. Rod Yamin, vp-sales for Price Pfister, Pacoima, Calif., said, "Purchasing agents for home centers came to the show [March Home Center Show] with one direct responsibility: to meet a goal on ads. They do a lot of hammering, and I don't think there's a retailer in the country who would be satisfied sticking within the boundaries of any co-op policies."

Not a major factor

One product which created nothing more than a lackluster ripple in the plumbing market this year was home water filters. In the mid-1970's water filters were thought to promise massive sales, but in 1982 filters produced very little volume in home centers where enthusiasm for the products is waning among retailers.

Retailers felt that various water problems in their markets merited carrying on-faucet filters, under-the-sink filters, or whole-house filtration systems, but dealers were bewildered as to why the products did not catch the attention of consumers. It seems that consumers still view home water filters as exotic products.

When Congress passed the Safe Drinking Water Act of 1974, the Environmental Protection Agency estimated that home water filter sales would jump tenfold from 400,000 units to 4 million in three years, with 70% being sold for on-faucet installation. But while industry sources claim the market has grown to $60 million, the publicity surrounding water filtration has died down, as have sales of filtering products.

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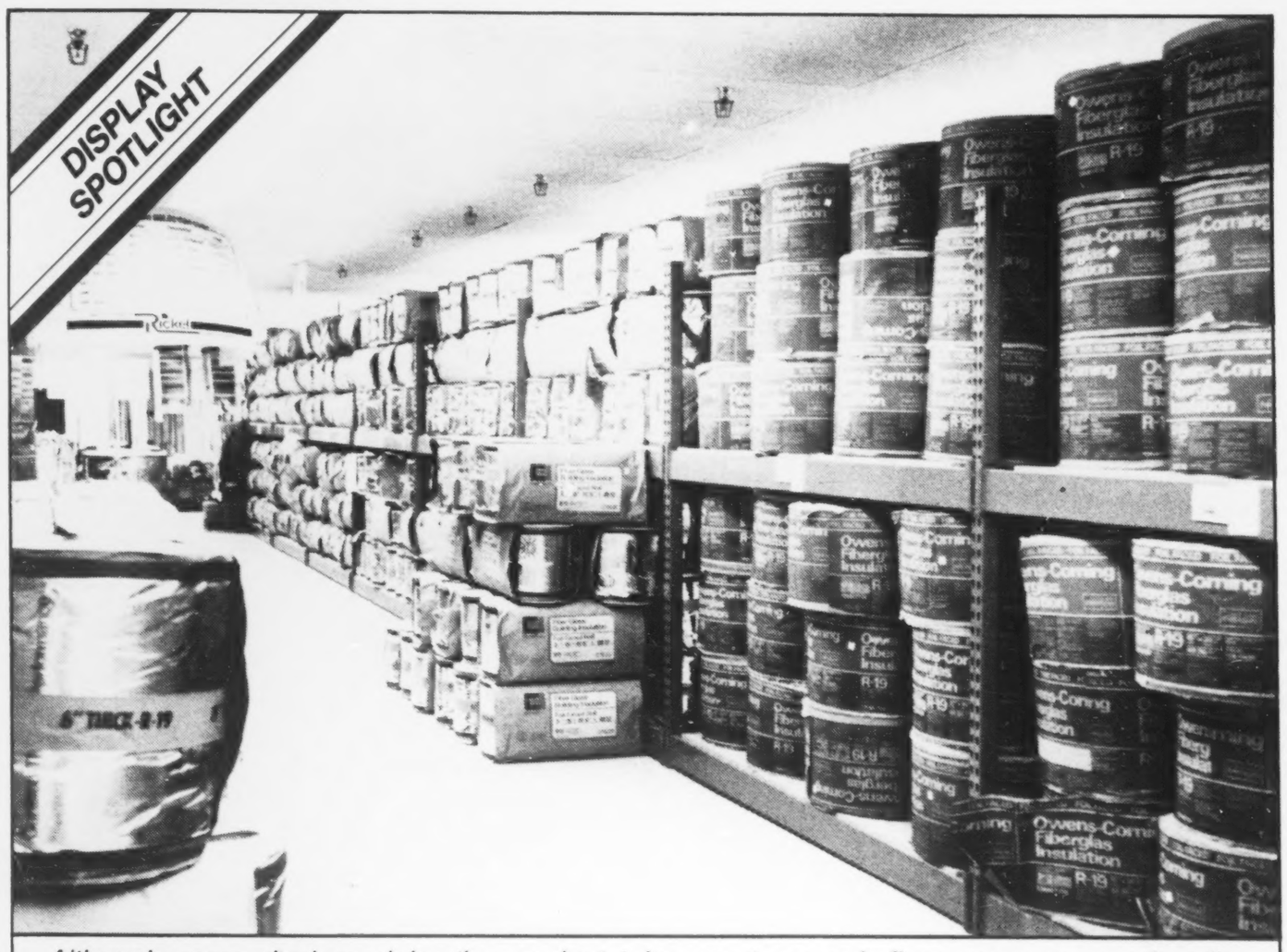
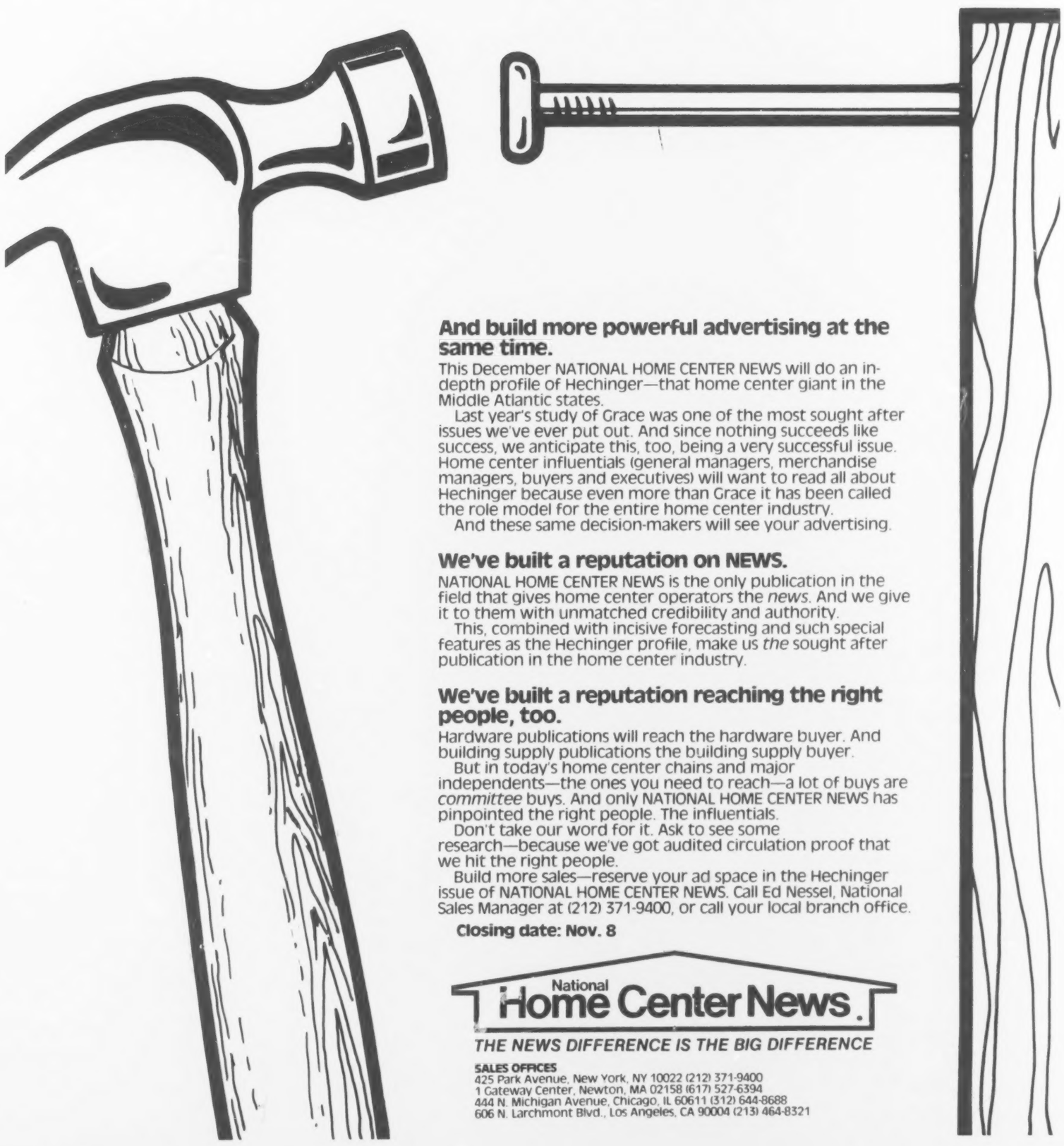


Although some dealers claim the product takes up too much floor space to merchandise profitably, Rickel Home Centers devotes two full aisles to insulation, stacked on racks 10-ft. high at its Broomall, Pa., store. NHCN photo

This December 6th find out how the heck Hechinger built one of the world's most unusual lumber yards.



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Don't take our word for it. Ask to see some research—because we've got audited circulation proof that we hit the right people.

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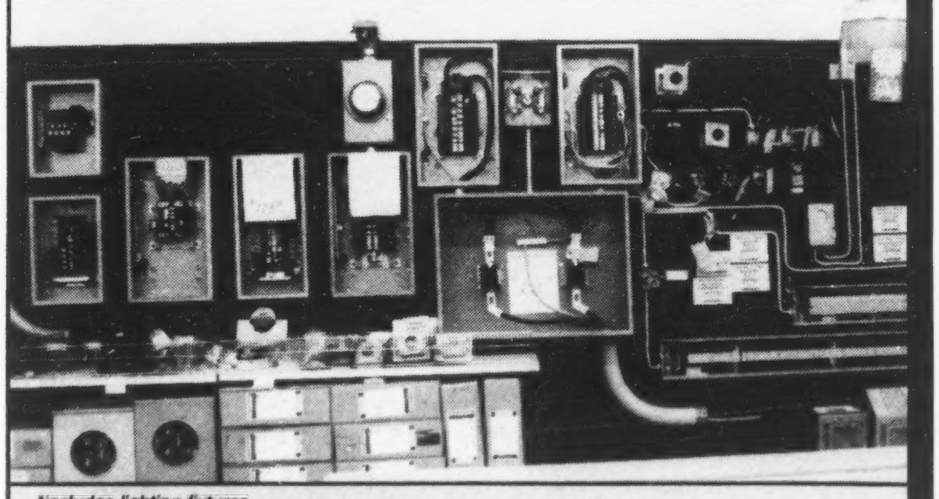
CENSUS 82 FACTS AND FIGURES

ELECTRICALS*		
Total Consumer Sales: $1.265 billion		
	Home Center Outlets	**Lumber/Building Material Outlets**
Annual Turns	**4.2**	**5.2**
Gross Margin	**39%**	**33%**
GMROI	**164%**	**172%**



*includes lighting fixtures
Source: NHCN, Frost & Sullivan, Home Center Institute

Track lighting, phones are electrical dept. bright spots

NATIONAL REPORT—Electrical departments in home centers continued to be top sales producers despite the sluggish building market this year. Scotty's DIY electrical sales, for example, rose 10% in the past year, despite a downturn in volume for building-related items like wiring, switches, receptacles and face plates.

Products that carried electrical departments over the past year and transcended recessionary concerns or capitalized on them included decorative, high-end lighting products, especially energy-saving fluorescents. Telephones and accessories, just introduced at many home centers, are also catching the public's imagination since the change in telephone rental laws. Wiring and fixtures in packaged form with plenty of DIY instructional information, combined with the strained economic climate have encouraged homeowners to save money by tackling their own electrical work.

While decorative fluorescents have been on the market since the late 1970's, manufacturers pointed out that the product has only really caught on in the past two years.

Rich Dunlap, regional sales manager of Home Vue, said his company sold 322,000 decorative fixtures in the first six months of 1982. That volume, which includes sales by Lowe's, Payless Cashway, Handy Dan, Home Depot, Lindsley and other chains, represents 40% to 50% of the home center market, he estimated.

Levy's Lumber and Building Centers, Louisville, Ky., sold several dozen fluorescents priced between $19.98 and $59.98 monthly with no special promotions. Price points at nine-store Knox Lumber, where decorative fluorescent sales were up 5%, ran between $24.95 and $49.95. The Minneapolis-based chain carries 35 to 40 fluorescent sku's, half of which are decorative.

Track lighting is another popular seller, according to electrical buyers, and one which has overcome pricing, packaging and installation hurdles with improved products.

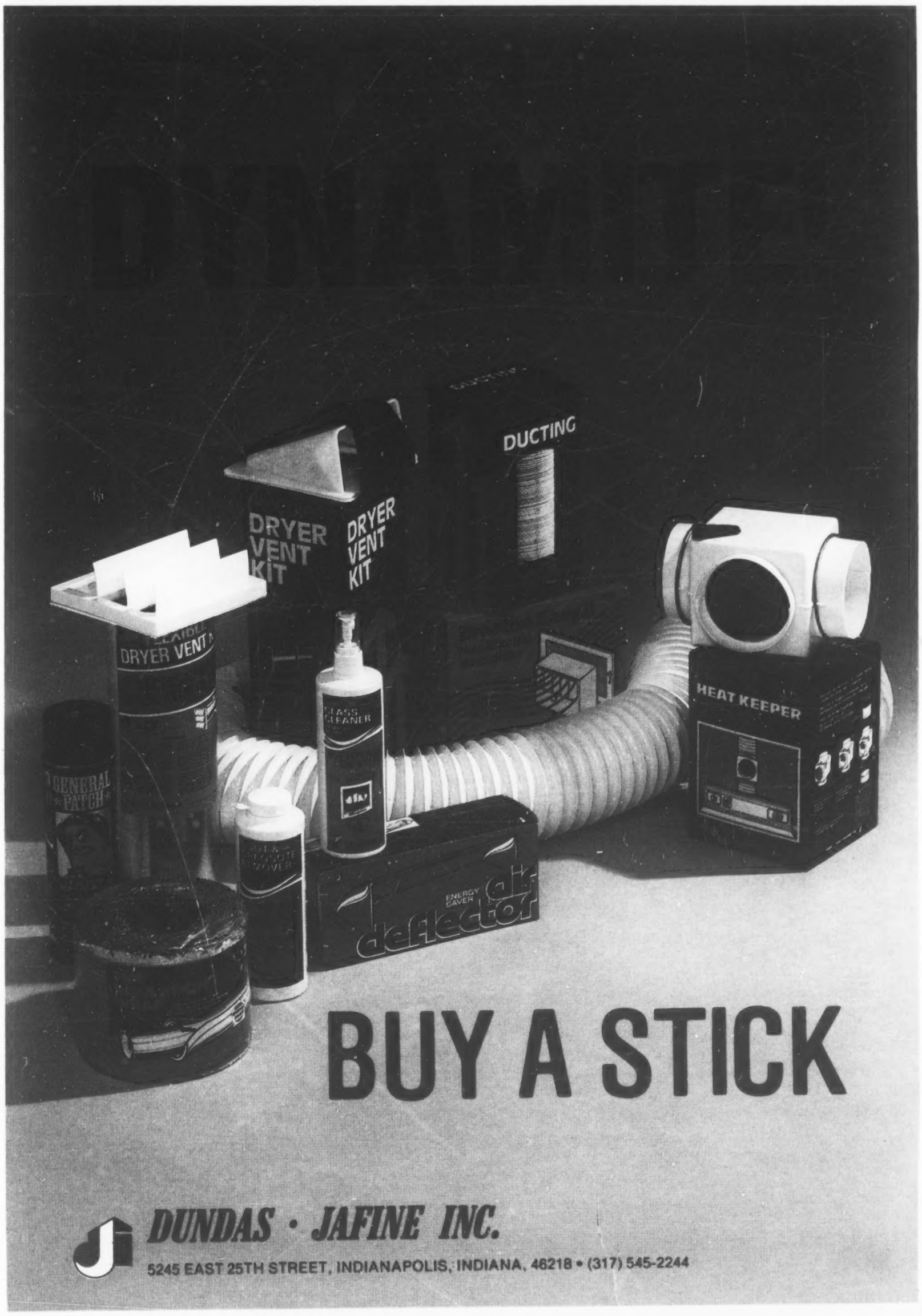
About 15% of the volume in Mass Hardware's extensive, 800-fixture electrical department is now produced by track lighting, compared with 2% of sales 10 years ago when the product was introduced.

The chain averages about $1,000 per month in track lighting sales.

In fact, in a tough year, when Mass Hardware sales have only held even for all other lighting fixtures, buyer Steve Belliveau noted that track lighting sales grew by 10%.

Buyers at an increasing number of home centers that carry track lighting commented that

(Continued on page 69)



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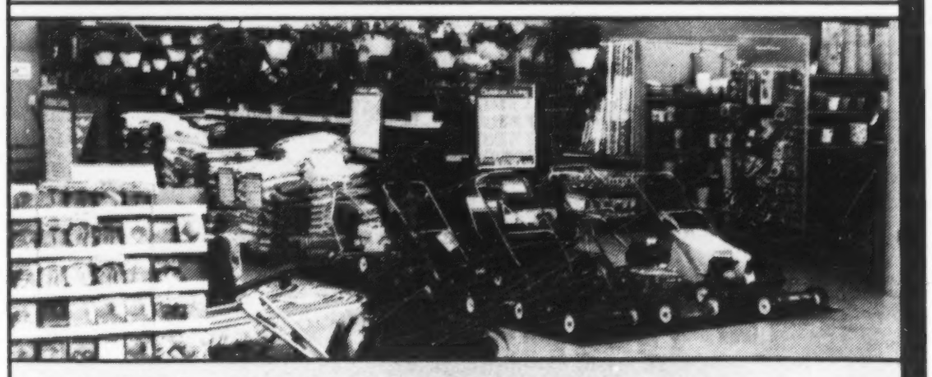
CENSUS 82 FACTS AND FIGURES

LAWN & GARDEN		
Total Consumer Sales: $1.95 billion		
	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	5.8	5.2
Gross Margin	32%	28%
GMROI	186%	146%



Source: NHCN, Frost & Sullivan, Home Center Institute

Good weather yields bumper crop of lawn and garden dept. sales

NATIONAL REPORT—It has been a super year for home center lawn and garden departments with sales strong at many chains in several regions. Scotty's, the 99-store Florida operation, reported its best year ever.

Several factors seem to have combined to make this year so healthy for lawn and garden sales. The depressed economy continued to encourage people to stay home and victory gardens increasingly occupied suburbanites' weekend time.

Additionally, the weather was more suitable this year than last, with the growing season lengthened. At the same time, some chains took advantage of those factors and lengthened their lawn and garden selling seasons.

Busy Beaver, Pittsburgh, expanded its season to nine months—February to October—and 1982 lawn and garden sales were 40% better than last year's, according to Tony Clark, buyer.

Lowe's lawn and garden sales were up 22% to 25%. Scotty's sales increased by $4.8 million over a year ago and turns reached 6.5, according to Bob Stanton, who was recently promoted from lawn and garden buyer, to senior buyer, building products.

"There are more people staying at home, planting gardens and raising food because of supermarket prices and their own economic situation," said Paul Siegel, Forest City's vice president, merchandising. "All of that leads to having this category of goods develop even further."

On a product-by-product basis, performance varied somewhat. Tools and outdoor furniture seemed to be strong this year, while underground sprinkler sales were flat and barbecue volume continued to grow, but not overwhelmingly.

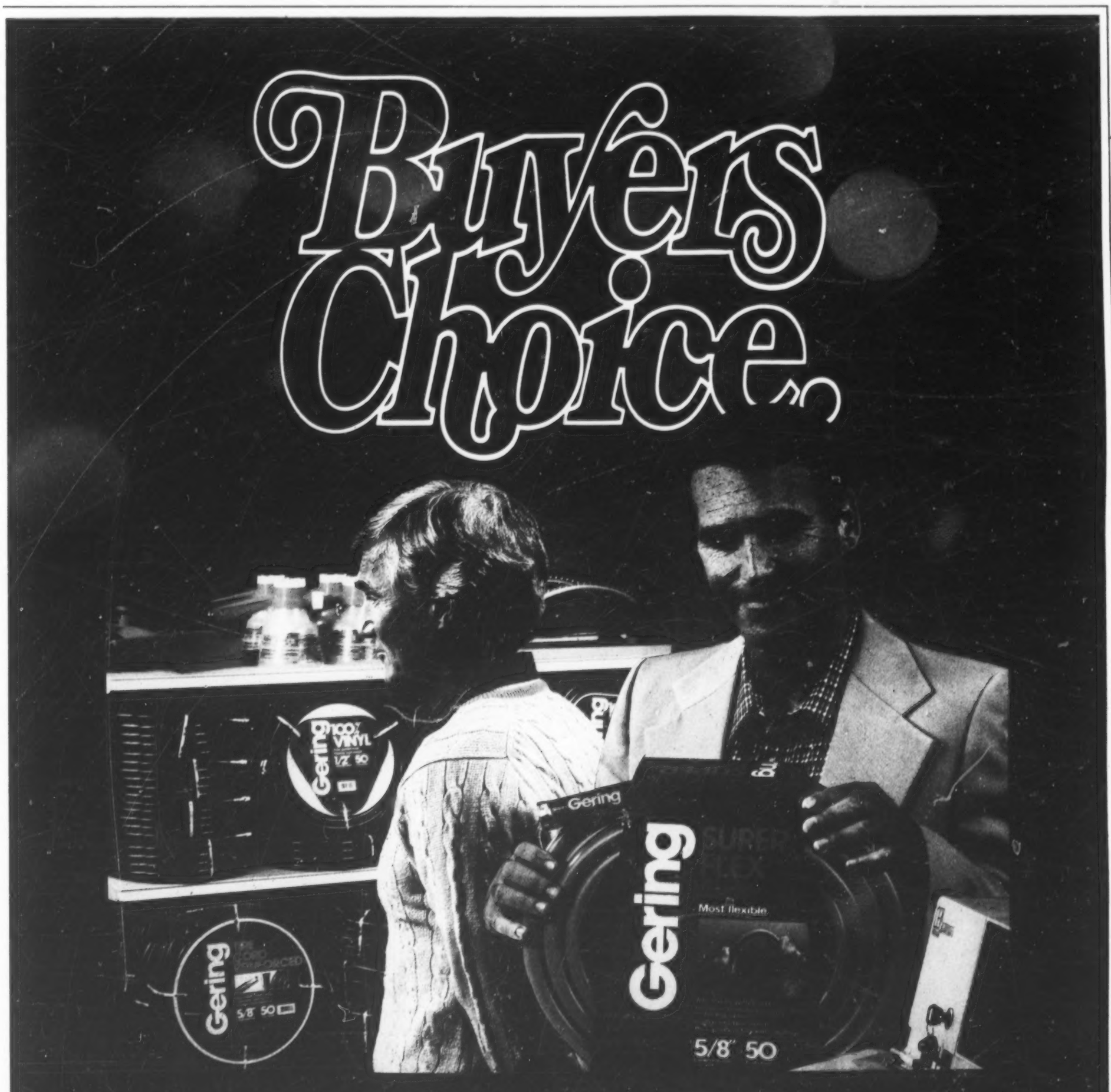
Cindy Hallmark, lawn and garden buyer at Homecrafters, the 49-store Southern chain, said that lawn and garden sales were up 8% to 10% over a year ago, with tools fairly strong.

Tools, she said, are one of the highest profit areas in the lawn and garden department.

"You can buy some imports, but people are looking for quality," she said.

Turns at Homecrafters average 4.5 to 5.5 with margins about 40%. Next year the Pelham, Ala., chain's lawn and garden department will be ex-

(Continued on page 70)



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CENSUS 82 FACTS AND FIGURES

Repairs/remodeling to grab 25% of softwood market

NATIONAL REPORT—Of the total 29.1 billion board feet of softwood lumber expected to be consumed in the United States during 1982, 7.2 billion board feet or 24.7% will be used by the repair and remodeling market according to Western Wood Product Assn. predictions.

While the repair and remodeling share is off slightly from the 25.2% it garnered of the 30.1 billion board feet consumed last year, its share is still up significantly from 1978—the last two-million-housing-start year—when 44.8% of the 41.4 billion board feet consumed went into new construction and only 19.2% went into repair and remodeling.

"The DIY portion was good," said Fred Reseburg, the WWPA's director of economic services. "But large projects like adding rooms seem to have been put off because of the economy." The increase in repair and remodeling activity, still relatively small in terms of total lumber consumption, has been enough to prompt business changes among building supply retailers and the forest product companies that serve them.

During 1982 Pay 'N Pak, the 88-unit Northwestern chain added lumber to its mix, after dropping it several years ago, although only in its largest stores.

Setup is refined

Lowe's refined its RSVP consumer-oriented presentation to include more lumber on the sales floor.

W. R. Grace continued to emphasize the back-to-basics approach of its Handy Dan stores in its Handy City and Channel chains, devoting as much as 50% of the floor space to lumber and building materials.

Other operations moved additional lumber and building materials out of their warehouses and onto the sales floor.

Diamond International decided to test the sale of dimensional lumber inside one of the stores of its western division. Eventually the experiment may be adopted by some of the larger stores among Diamond's 119 outlets.

Wolohan Lumber, Saginaw, Mich., continued its remodeling plans, which call for changing three stores per year into a more self-service prototype with lumber and building materials displayed for the consumer.

At 19-unit O'Malley Lumber, Phoenix, lumber and building materials were also being brought indoors to attract greater DIYer attention.

"We've always been in the lumber business and we want to keep that reputation," said O'Malley buyer Sherry Gaylor. "But we've found it necessary and important to pursue that image with the DIY consumer by stocking as much merchandise as possible on the sales floor."

Some building material retailers remained more purist on the issue of proper lumber and building material display.

"Even in the bigger home centers like Rickel, Hechinger and Central Hardware, you could never buy all the materials you'd need to build a house or put on a room addition," said Pat Behan, vice president, Hill Behan, St. Louis.

"Going to those stores for lumber and building materials is like going to a Ford dealer and buying a car in the parts department," he said.

"It's extremely unprofitable to sell building materials, particularly lumber, in a heated store," added Collins Lorimer, of Lorimer & Assocs., a Joliet, Ill., consulting firm.

The average gross margin for lumber and building materials is about 25%, compared with the 35% to 50% captured on other home center items, Lorimer noted.

Despite this debate, the trend among home centers seems to be expansion of the amount and assortment of lumber displayed indoors, with the relatively low margins offset by greater tie-in sales, and storage problems minimized because turns increase when lumber is more available to the consumer.

With home centers generating an estimated $10.5 billion in annual sales of lumber, plywood, millwork, paneling and molding it is not surprising that the forest product industry is making a strong effort to gear itself more toward this consumer market.

"We recognize this as a long-term consuming market for material," said Bill Simmonds, Weyerhaeuser's national sales manager. "We've taken a long look at housing and we're not optimistic."

As the forest companies modify their production, distribution and marketing emphasis from heavy reliance on building to courting consumers, dealers may emerge the big winners with more material and specialized products available for increased sales.

LUMBER/PLYWOOD

Total Consumer Sales: $7.1 billion

	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	7.7	7.6
Gross Margin	23%	24%
GMROI	177%	182%

Source: NHCN, Frost & Sullivan, Home Center Institute

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READ CLASSIFIED ADS

Wickes

(Continued from page 17)

center operation in DIY sales.

BE's sales are expected to rise slightly, from $155 million last year to $160 million in 1982, 100% from consumer business. Overall, *NHCN* estimates Wickes' home center segment will see a 13.8% drop in sales to $900 million, but its DIY business should increase by two percentage points to 59% of the total.

Sigoloff announced a four-stage reorganization plan that includes a 10% reduction in Wickes' 33,000-man workforce, an introduction of new management to a corporate planning system, the implementation of long-term planning and, in its final stage, repayment of its loans and debt.

"We have stemmed the bleeding, and we are just now beginning to see the results of programs we have implemented," Sigoloff said recently. "We expect to show continued improvement throughout the remainder of the year."

The most pressing problem the corporation will probably face over the next several years is its enormous bank debt, much of which it assumed when it purchased Gamble-Skogmo. Wickes owes 44 banks a total of $1.198 billion, with $580 million in short-term debt. In 1981, the company paid out $200 million in interest expense, but under Chapter 11 it is protected from its creditors until the company resorts itself.

Management changes at the store level included a shuffling of personnel at Builders Emporium which brought Tony Swies to the new position of president of that chain. Swies had been a group officer and senior vp for Wickes Cos. At Wickes Lumber, Bruce Berg, who was the chain's interiors merchandise manager, moved up to replace Jack Edl as vp and general merchandise manager.

On the merchandising front, Wickes began testing its new "super home center" in Dickinson, N.D., aimed at providing rural markets with one-stop home improvement shopping.

H.U.D. balks over load of wet wood

NATIONAL REPORT—It was all a matter of interpretation. And in the balance was 400,000 board feet of Douglas fir that would or would not be deemed suitable for use in a H.U.D. elderly housing project.

Last month, H.U.D. decided that 150,000 board feet of the dimensional lumber exceeded the Government ceiling on moisture content and could not be used at the Torrance, Calif., site.

H.U.D. argued that its standard called for a maximum 19% moisture content at time of installation. Meter checks revealed levels between 17% and 30%. At stake were the 200,000 board feet that the Torrance project was expected to consume and an additional 200,000 board feet for two H.U.D. undertakings to follow.

Frank Stewart, a Western Wood Products Assn. field representative, helped resolve the situation by pointing out to the Government inspector that the regulation in question is routinely interpreted as applicable to lumber at time of enclosure, not installation.

Electrics

(Continued from page 63)

the style and quality of track lighting has improved significantly in recent years, and merchandisers are expanding the lines they carry to include a variety of colors, several styles of ball and cylinder heads and different lengths of track that can be mounted in straight runs or patterns.

New laws requiring telephone companies to show consumers the amount they pay for rental on monthly bills provided a tremendous incentive for people to buy rather than rent their phones. Sales have surged in recent months prompting a number of chains including Lowe's, Home Depot and Pergament to enter the market.

Lowe's, the 232-store, North Wilkesboro, N.C., chain introduced a telephone and accessories program for all its stores in August. Lowe's carries six sku's of telephones from two manufacturers, GTE and Sound Design: The phones, including some cordless models, retail between $19 and $139.

Pat Farrah, executive vice president of Atlanta-based, Home Depot, felt that although his chain has no sales experience in this area, "It's a good category and we want to be on the forefront." Home Depot's program started in its eight stores and was promoted in the catalog, through direct mail and in newspapers.

What's next in electricals? Judging from the winter Home Center Show and summer Hardware Show and buyers comments the next hot product line may be video accessories. Few chains carry video accessories now, but a number of manufacturers are showing attractively packaged products for what looks like a growing market.

HARDWARE

Total Consumer Sales: $3.3 billion

	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	4.6	4.6
Gross Margin	40%	38%
GMROI	184%	175%

Source: NHCN, Frost & Sullivan, Home Center Institute

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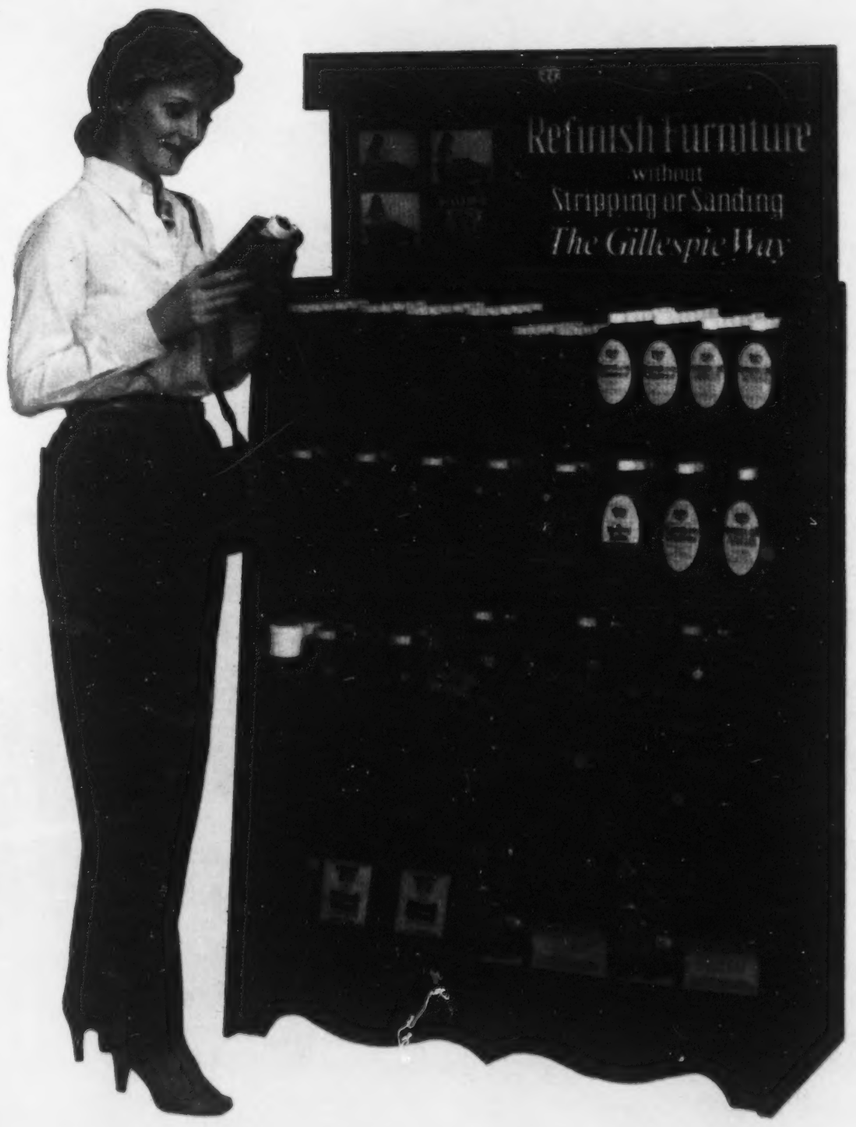

#GA-100 GILLESPIE ASSORTMENT CONTENTS

SIZE	PRODUCT	RETAIL	SIZE	PRODUCT	RETAIL
24-Pts.	Furniture Refinisher	$ 4.45	2-Gals.	Tung Oil Satin Varnish	$23.45
24-Qts.	Furniture Refinisher	7.95	24-8 Oz.	Lemon Oil Treatment	1.95
12-½ Gal.	Furniture Refinisher	12.75	12-Pts.	Lemon Oil Treatment	3.25
8-Gals.	Furniture Refinisher	23.45	12-8 Oz.	Furniture Cleaner	1.79
12-8 Oz.	Tung Oil Product	2.95	12-Pts.	Furniture Cleaner	2.95
12-Pts.	Tung Oil Product	4.45	12-Pts.	Mineral Spirits	2.50
12-Qts.	Tung Oil Product	7.95	12-Pkgs.	4/0 Steel Wool	1.29
2-Gals.	Tung Oil Product	23.45	12-Ea.	Refinishing Pans	1.19
12-8 Oz.	Tung Oil Satin Varnish	2.95	12-Ea.	Filigree Brushes	.39
12-Pts.	Tung Oil Satin Varnish	4.45	6-Ea.	Refinishing Kit	9.99
12-Qts.	Turig Oil Satin Varnish	7.95	12-Ea.	Spray Paint Remover	4.95

Wt. 485 lbs. Dealer Cost $856.12 Total Retail $1426.86

Klean-Strip
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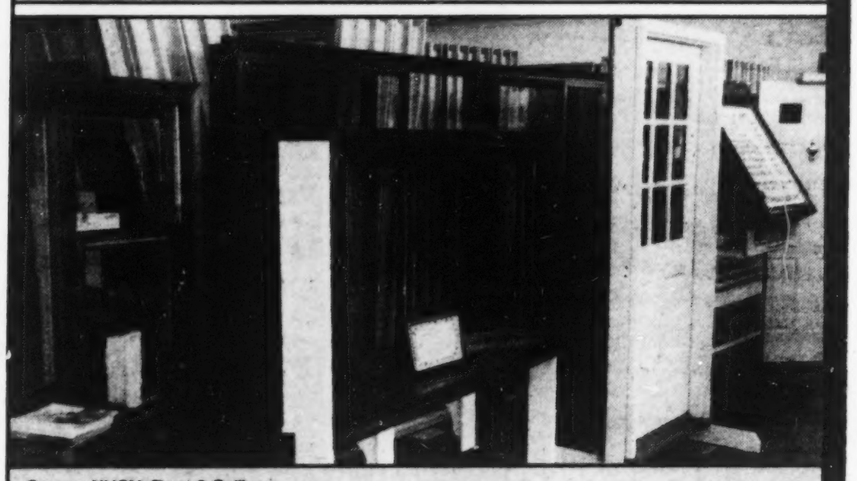
GILLESPIE SINCE 1824

CENSUS 82 FACTS AND FIGURES

MILLWORK		
Total Consumer Sales: $1.61 billion		
	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	5.3	6.2
Gross Margin	31%	35%
GMROI	164%	217%



Source: NHCN, Frost & Sullivan

Panel sales

(Continued from page 56)

conducted a six-month pilot DIY literature program that ended in June.

Dealers and distributors in selected cities were provided with several brochures to make available to retail customers. While results of the test were not conclusive, total moldings sales seem to be expanding. They increased to 198 million board feet in 1981, up from 176 million board feet a year earlier, according to the Association.

"We were pleased with the pilot program," said Hank Brown, marketing vice president for Midwest Jobbers, St. Charles, Ill., which supplies the Chicago market.

He conceded that once the product gets to the retail level it requires, "an awful lot of handling."

Still, that has not been a drawback for Inner Harbor, the Baltimore operation that does a strong urban renovation and restoration business.

"Of out 18 departments," said Bob Heffner, manager, "molding sales account for our best profit by far."

Lawn sales

(Continued from page 65)

panded with fringe items filled in, Hallmark said.

Furniture took an interesting twist this year, with retailers doing brisk business with low-end, "disposable" furniture, priced for the consumer who is willing to pay to be in fashion each season because he knows that the chair he is buying may last no longer than that. And next year, when the "in" color changes he can purchase a replacement.

The best seller at Homeowners DIY, Gardena, Calif., was a $6.99 banana lounge chair, "that you use for one year and then throw out," said Jim Guiry, buyer.

At the other extreme, customers were also willing to pay for quality and durability. Redwood, in some markets, continued to be strong, as well as outdoor furniture made from other woods and from high quality metal and fabric.

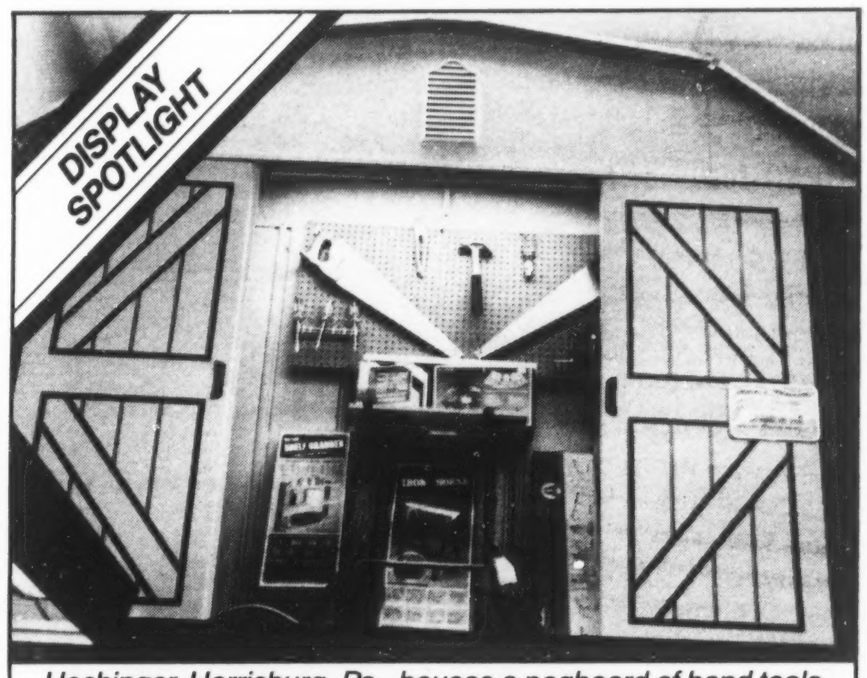
"We are looking for an upper-end line," said Lyle Gregory, merchandise manager at Lumberjack, Sacramento, Calif. "We want the same amount of sku's, but more quality."

In contrast, underground sprinkler systems were experiencing weaker results, at least in part because the depressed housing market reduced the number of installations. Still, Gregory said that underground sprinklers contribute about 20% of the plumbing department's total sales with 5.5 to 6 turns per year.

Sprinklers generally sell better in the Sunbelt, which also proved to be the case with barbecue grills. According to The Barbeque Industry Assn., home centers this year cornered 8% to 10% of the grill market, which is expected to reach $4.7 billion, including accessories.

Perhaps the growth of lawn and garden generally was summed up best by Clark, of Busy Beaver:

"Lawn and garden is becoming our No. 2 department," he said. "Five years ago, lawn and garden was in seventh or eighth position."



Hechinger, Harrisburg, Pa., houses a pegboard of hand tools along with work benches, shelf racks and saw horses inside an outdoor storage shed. NHCN photo

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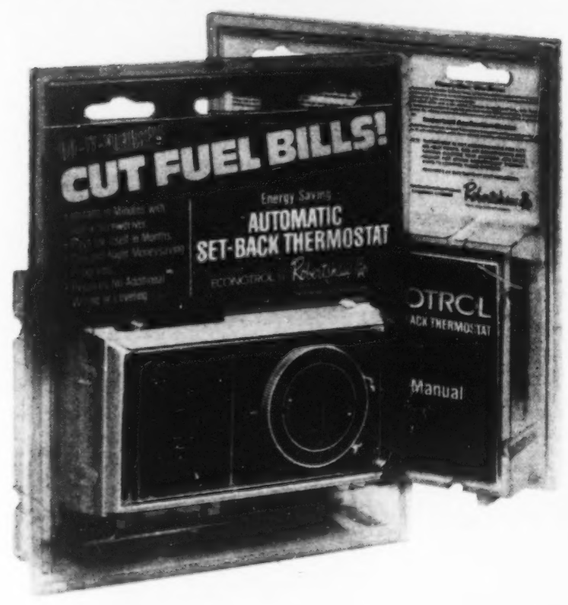

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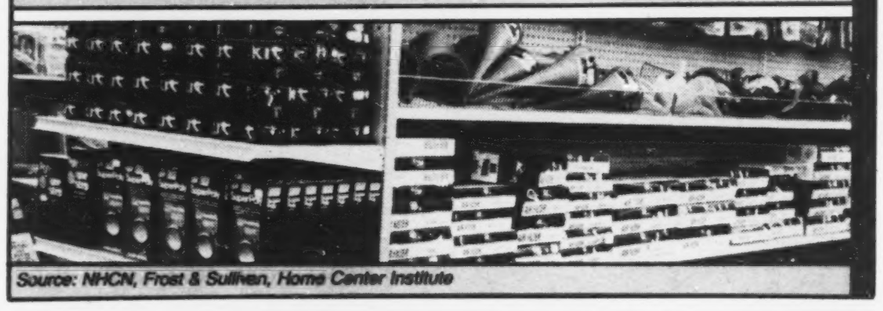
CENSUS 82 FACTS AND FIGURES

AUTOMOTIVES		
Total Consumer Sales: $307 million		
	Home Center Outlets	Lumber/Building Material Outlets
Annual Turns	4.5	N.A.
Gross Margin	26%	N.A.
GMROI	117%	N.A.



Source: NHCN, Frost & Sullivan, Home Center Institute

DIY chains add auto depts. as sales figures improve

NATIONAL REPORT—More home center retailers are taking on automotives and results in the category are getting better, according to industry statistics.

The Home Center Institute announced recently that 60.2% of the DIY dealers it surveyed were carrying automotives compared to only 26.3% in 1975. It also noted that the category's sales per square foot in home centers increased from $45 in 1975 to $124 in 1981.

The department's sales as a per cent of total volume has grown from 1.1% to 2.4% in the period and the goods take up a greater per cent of total store footage, 3.1% compared to 2% in the mid-1970's, according to the Institute.

The most successful DIY dealers with automotives appear to be the ones that are most aggressive.

"There's a lot of motion in the department, no pun intended," said Frank Schaffer, automotives buyer at The Hardware Fair, Baltimore. "There's always something new. It's exciting."

The chain took on car batteries under its own label this year to go along with 600 sku's of items such as oils, waxes, chemicals, wiper blades, filters and mirrors in 120 linear feet of space, Schaffer said.

All American Home Center, Downey, Calif., found success with a do-it-yourself trailer kit with add-on sale possibilities, simulated lambskin seat covers and car covers, according to buyer Al Carpenter.

Most dealers also experienced success with Turtle Wax's new Minute Wax.

"In 10 years, I've never seen a wax sell from a commercial so well," Carpenter said. "In three weeks, we sold 288 units at $3.99 each and 50% of the sales were to women because of the trigger-spray applicator."

While attention to new products and innovations helps keep the category updated and interesting, completeness and commitment in the department also helps.

Central Hardware was forced to switch automotive suppliers last year to its sister company, wholesaler Witte Hardware, St. Louis. Both Central and Witte are owned by Interco, St. Louis.

Promising area

The match has turned out well for Central with an initial automotives investment of $750,000 and 1,286 sku's on eight 24-ft. gondola runs, according to Witte president Neil A. Marglous.

The changes made Central's selection "a little more complete and competitive," president Jim Cohen related.

Two-unit Round Lake Ace Home Center, Round Lake, Ill., carries hard-to-get items in its mix.

"That costs us," said buyer Rich Hill. "but if the customer knows we have it, he will get all his automotive needs in one stop with us."

Still, for many chains, the department is in a state of flux. Several DIY retailers are interested enough in the category to have added the goods, but then a reduction in sku's or even removal of the department follows.

Five-unit Builderama, Savannah, Ga., recently exited from automotives after a two-year program.

The reason why

The chain carried oil, spark plugs, spotlights and windshield wiper blades in 24 running feet to 28 running feet per store, but a spokesman for the chain noted, the wiper blade sku's totaled three, not enough to make that program work.

"There was auto parts store competition too," the spokesman said. "Western Auto is across the street from here and Southern Auto is two blocks away and there's always K mart."

Competition has held back further commitments in automotives at Chase-Pitkin, Rochester, according to president Steve Underwood.

"In the last few years, there have been a lot of auto parts stores on the scene," he explained. "That's one reason why we haven't broadened the category."

Beaver Lumber, Willowdale, Ontario, Canada's largest DIY dealer, discontinued automotives, except for oil as a promotional item.

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The part numbers we're talking about are consumer refunds — a total of $19.50 from September through January. In fact, we've doubled previous refunds on spark plugs and batteries.

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